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Ewin

Season's Greetings

We have come a long way since last Christmas—and the path is clearing just ahead.

It will not be a perfect world, but it will be a better one. And as the doubters have been confounded by the miracles of this year, so will they be overcome by the spiritual accomplishments of 1943. For men will rise and reclaim freedom the world over—and the clamor of rejoicing will reach the skies.

The struggle and sacrifices will not have been in vain when men once more clasp hands as brothers in peace and good will, and unite in the building of a glorious new world. And it will be done!

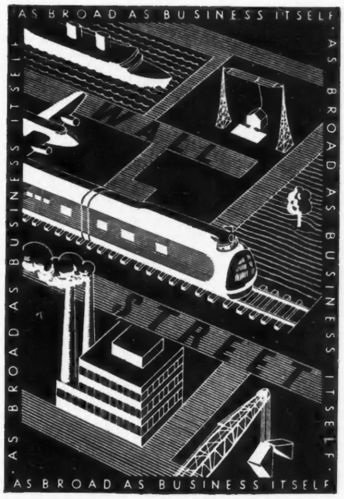
To you, our friends and subscribers, whom we are happy to serve in the year ahead, with all our hearts we wish you well in your undertakings and a full measure of happiness and contentment.

C G Wyckoff

Publisher

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Publisher* — Laurence Stern, *Managing Editor*



The Trend of Events

INDUSTRY'S OPPORTUNITY . . . During the remarkable year 1942 there came about a very striking change for the better in the outlook for private enterprise.

No longer do our people pin their faith so largely on the politicos and the Government planners. Under the supreme test of war, they have seen the bureaucrats bungle, seen private industry deliver the goods. There is restored respect and admiration for able executive organizers. There is growing recognition of the great social—as well as economic—values inherent in a productive private enterprise system.

We have an idea that from here on the American people are going to be thinking more in terms of opportunity, less in terms of drab security; more in terms of multiplying the wealth, less in terms of dividing it; more in terms of levelling up the poor, less in terms of levelling down the able, the gifted, the energetic.

But our industrial leaders must not rest on the laurels recently won. If they have a great opportunity, they also have a great responsibility. Too many of them have wasted energy in recent years griping over Government "interference." The surest way to minimize Government interference is not to make speeches about it but to make it unnecessary—to take away any major excuse for it. If private enterprise can maintain a high level of employment and follow production and price policies which will induce an upward curve in the people's living standard, it need have no fear of excessive Government regimentation after the war. In that case, the people could be relied on to whittle down the politicians to life size.

When peace comes—and it doesn't look so distant now—business men are going to have a chance to "take the ball." It behooves them to begin devising as many good plays as possible right now. This is more than a matter of seeking profit, cashing in on new inventions and new markets. With the profit motive there must be combined a much greater sense of social responsibility than existed in the past. In the long run, what best serves the broad interests of the American people will best serve the interests of private enterprise.

SPENDING TAX . . . Although the details of the new tax proposals to be advanced by the Treasury are not known, it is quite evident that the backbone of its program for individual taxpayers will be a "graduated spending tax." Late in the progress of the 1942 tax legislation, the Morgenthau experts

trotted out this idea in very complex form but it got short shift from Congress. Probably it will fare no better in 1943.

The weakness of the Treasury plan is that it would exempt a very large aggregate of income in the hands of the lower-income people who probably account for two-thirds or more of the nation's total consumption of goods and services. Thus, it would still leave a large "inflation gap" between total consumer income and the estimated total supply of civilian goods and services. On the other hand, on top of sharply increased income tax rates, the graduated spending tax rates sought by the Treasury are so steep that they would literally wreck the living standards of the upper middle classes and the well-to-do.

On the other hand, the idea of a consumption tax in war time has great merit; and there is no reason why we should not adopt a program somewhat similar to that in England. A flat-rate general consumption tax is too crude to meet the proper objectives. Such a tax should be at varying rates, according to the character of the products or services bought—a moderate rate for necessities, a somewhat higher rate for semi-luxuries, the highest rate for luxuries. This would not exempt the many billions of inflated purchasing power in the hands of lower-income people and it would leave all people with adequate freedom of choice in apportioning expenditures. This is the opposite of the Treasury scheme, which would tax not the individual purchase but the total of consumption expenditure. Fortunately, there appears not one chance in a hundred that this Administration plan will be put through.

THE 40-HOUR WEEK . . . It is with a distinct pain in the neck that intelligent people will read the mouthings of Paul McNutt—the handsome and ambitious politician who has been put in charge of manpower mobilization—on the subject of the 40-hour week law. This law, says McNutt, does not prevent people from working more than 40 hours a week. There is no limit to the hours they can work—provided their employers pay the 50 per cent premium in wage rates for each hour over 40 per week.

That is perfectly true—but surely McNutt knows that (1) there are price ceilings in effect in this country; and that (2) employers engaged in non-war activities neither can nor will pay time and one-half for work over 40 hours. That is why, according to most recent Government statistics, the average work week in non-war industries is slightly less than 40 hours. Since McNutt knows this, he is simply talking labor union politics.

Confronted with an acute shortage of manpower, the Government is planning further curtailment in civilian industries, including paper. It is also planning violent disruption of some industries through concentrating civilian production in a limited number of nucleus plants. The major purpose is to conserve labor for war work. Yet nothing is more wasteful of manpower than to preserve a short peace-time work week in war time.

It is bad enough to inflate our war costs through time and one-half pay for work over 40 hours in the war industries—while the English work an average 56-hour week with time and one-quarter over 48 hours—but at least we are getting extra work and production out of it. Before we turn our civilian economy completely inside out, we should establish by law a basic 48-hour week for the duration of the war. That would permit a 20 per cent diversion of manpower from civilian industries without output curtailment. If that were not enough then—and only then—it would be sensible to explain output curtailment and nucleus plant concentration.

DIVERSIFICATION . . . For some years there has been a trend toward increased diversification in corporate operations wherever possible. The advantages—with respect to volume, seasonal fluctuation and profit—are obvious. Today thousands of manufacturing firms are making products—for war—that they never made before; and the speed and scope of technical innovation in industrial materials and fabricating processes is without precedent in all industrial history. These concerns will emerge from the war with a greatly expanded plant capacity and a radical advance in the "know-how" of production. You can be sure that after the war very extensive and intensive efforts will be made to utilize these physical and engineering assets profitably.

As a result, the average manufacturing enterprise of the future—whether large or small—will be more diversified in product lines than ever before; and many of the company names listed on the Stock Exchange will be far from fully descriptive of the character of business carried on. Plans for post-war development and diversification are already being made and in numerous instances are well beyond the tentative stage. As an example, the General Tire and Rubber Company has recently purchased the Yankee Network of 21 radio stations operating in New England and has stated that this is but the first step in its preparation for "entrance into other fields of manufacture and merchandising."

There will be a lot more of this kind of "branching out." Among the major industries, to cite but two outstanding cases, the oil companies will increasingly and importantly become producers of chemicals, and the rubber tire manufacturers will develop large new consumer and industrial markets for a number of synthetic materials having no similarity or relationship to rubber.

Whatever our problems and uncertainties in the field of politics and international relations, our manufacturers in their own field are all set to race into a fascinating and richly productive new world—some of the remarkable potentialities of which are pictured by Mr. Ward Gates in his article on page 271.

As I See It! BY CHARLES BENEDICT

THE DEVIL AT THE END OF HIS ROPE

Hitler had the jump on us when he let loose his forces of destruction upon the world. We were unprepared militarily and psychologically. Now, however, we have not only caught up, but are fast outstripping him. While our strength is growing daily, his is slipping precipitously.

And what is more, in the process we have learned a great truth:—that the problems of the world can be solved only by constructive thinking and action, by correction and compromise—and not by the force of savage destruction which destroys the good with the bad and leaves desolation in its wake. That only the slim thread of man's good will separates the short distance between security and insecurity.

And now with the turn of the tide against Hitler, those who were awed by his power and frightened by his hysterical mouthings, are carefully taking stock of their position in relation to him. Those who were bored with the graspings of the underdog tasting power for the first time; those fighting to retain their personal power and wealth at unreasoning limits; those poisoned by jealousy and envy who sought to possess themselves of their neighbors' goods—all of these were the people who openly and covertly let Hitler do their nefarious work for them. And it has gained them nothing.

For, in the end, they will be hunted out of their secret hiding places and made to face the issue for which they are just as responsible. Already they are surreptitiously seeking to save themselves, but as Hitler's power wanes they will desert him openly and we can expect that in his rage he will seek to pull them down with him as he falls.

Civil strife has already broken out in anticipation of the collapse of Hitler. And it comes at a time when these poor bleeding lands can stand no more. For all the countries Hitler has invaded, including France and the prosperous and enlightened Scandinavian states, lay despoiled and prostrate. The Germans too are using up their substance—they have long since stopped living on their fat. Like a vampire, Hitler has sucked the blood out of all of the people including his own. And it is evident that the anemic Europe which will rise out of the ashes of this great holocaust will be quite different from the Europe we have known.

The result will be great insecurity. In the cities, due to persecution and forced migration, mixed populations of different breeds will feud and fight each other for the scraps that are left.

If nothing is done to prevent it, we can expect an age of lawlessness such as followed the great wars of conquest in ancient (*Please turn to page* 314)

Three Lions

Square in Barcelona, Spain

Dynamic Market in the Making

Although the 1943 market prospect appears strongly bullish to us, we expect a period of important interim unsettlement within the first quarter on renewed domestic uncertainties and hence we suggest that longer term purchases can prudently be deferred at present.

BY A. T. MILLER

Summary of the Fortnight: The Dow industrial average reached a new recovery high on sharp expansion in trading volume as the traditional year-end advance got off to an early start. Though up from recent lows, the rails contributed no great help to the renewed forward movement. THE MAGAZINE OF WALL STREET'S *weekly index of 270 stocks has not yet bettered former high.*

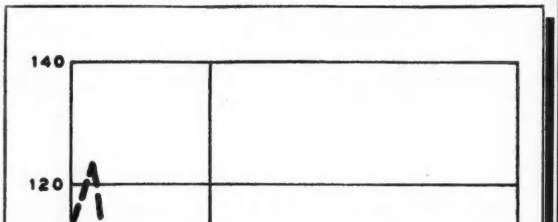
SO FAR as the major trend is concerned, we have no fault to find with this market. We believe—as we have stated before—that the averages made their lows last April for the duration of the war. The main trend being up, it is likely that the end of the new year will find stock prices higher than they are now in these waning days of 1942. We concede that at some time within 1943 the bull market probably will assume a more dynamic character.

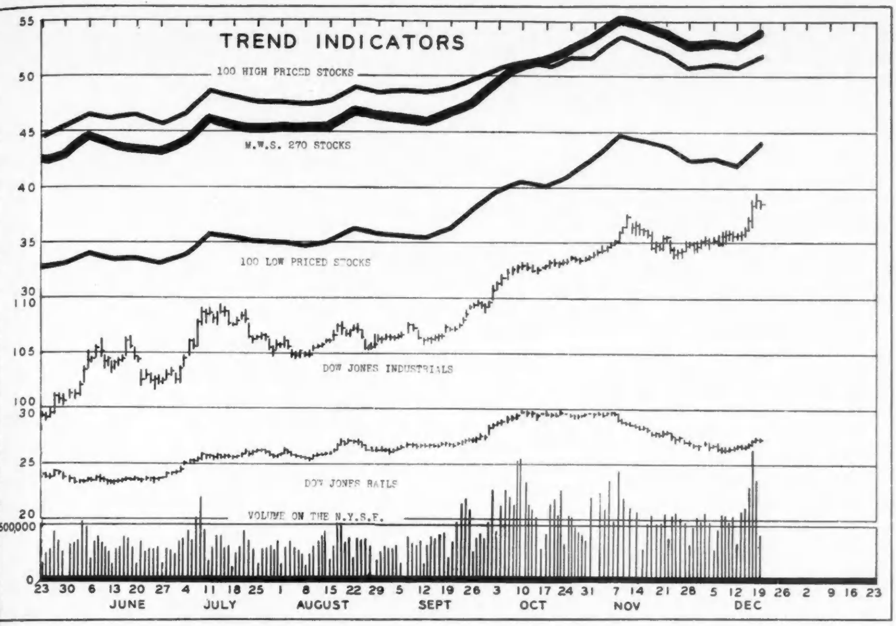
But the fact that the Dow industrial average has now extended its recovery by advancing above the previous high made on November 9 does not necessarily portend that broad additional advance can be expected over the near future. So far as longer term investment operations are concerned, market strength at the present time is not added reason to make purchases but added reason to defer them. The phenomenon of intermediate reaction has not been abolished. The fact that we did not get such a reaction in November-December — which double-crossed this writer's expectations—makes it likely that we will get it within the forepart of the new year. We think it probable that the highest average prices of the first quarter of 1943 will be seen in January on a carry-over of the familiar year-end move, and that at best that high is not likely to better the present price level by more than moderate degree.

If we had to guess, we would set 123-126 as the top range of the Dow industrial average for a goodly time to come. In any event—and this is not a guess—we advise against purchases now. Indeed, unless you are equipped to ride through a period of important reaction with equanimity, we think you will be well-advised to look over your holdings and consider at least partial profit-taking on any extension of market advance into January.

Over the past two months or so there has been an abundance of bullish news:—disposal of the 1942 tax legislation on terms far more favorable to corporate enterprise than had been expected earlier; a strong Republican upswing in the Congressional election; a decisively promising strategic change in the war prospect. Strongly enhanced confidence both in war-time prospects and post-war potentials of the great bulk of our corporations is reflected in substantially higher price-earnings ratios for all save the minority of laggard "war stocks."

And yet as early as October 13 the Dow industrial average stood at 115.01, reaching an intra-day high





of 115.80. Considering the news environment, the additional advance to date—3.96 points on the basis of both closing prices and intra-day highs—in a period of nine weeks must be classed as far from emphatic.

Even less emphatically bullish has been the net rise over the past two months in our broad weekly index of 270 stocks, which is calculated to reflect some 80 per cent of all Stock Exchange transactions in common stocks. Up to the week ended October 10, this index had risen over 27 per cent from the low of last spring. Since October 10 the added rise to this writing has been a trifle over 3 per cent. Moreover, this "rank and file" index of the market is now showing a tendency to lag behind the Dow industrial average, whereas its tendency was just the opposite in the earlier phases of the market's recovery.

Regardless of whether the market for additional weeks can go on establishing new highs in the industrial average—by moderate margins and with frequent "resting" interludes—the evidence of waning momentum and vigor seems to us more significant, with respect both to long term and intermediate term prospects, than the fact of successive new highs in the average.

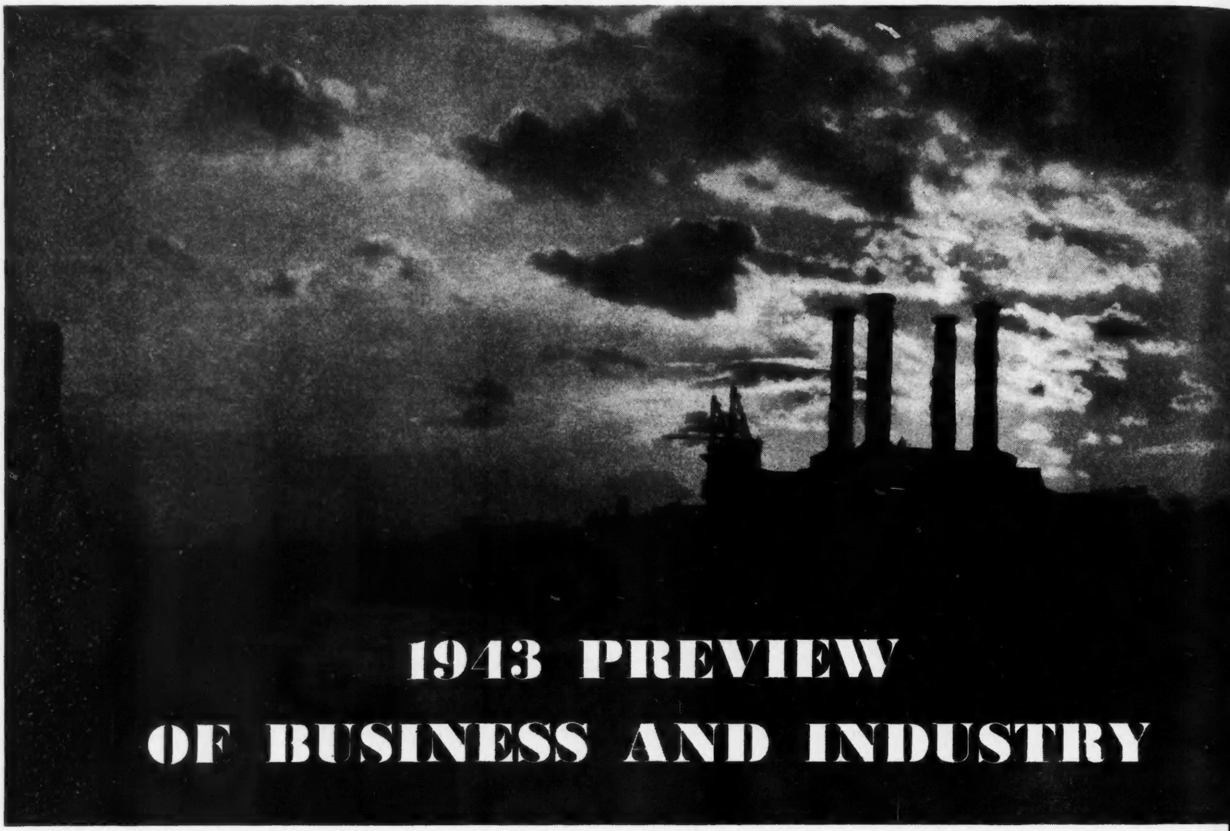
The main recovery trend has now been in progress nearly eight months—longer than any up move since the bull market of 1935-1937. By way of reminder that war time bull markets are neither as emphatic nor as securely based as peace time bull markets, it is perhaps worth noting that in the first eight months of the 1935 rise our broad weekly index advanced about 70 per cent as compared with about 30 per cent over the past eight months.

On the whole, we think it probable that the news environment in the early months of the new year will be less bullish than it was in the closing months of 1942; while, as a result of the advanced levels already attained, the market will be even less responsive to good war news than now and more responsive both to possible war set-backs and probable disturbances and uncertainties in the domestic picture.

Today people are buying stocks almost entirely on their assumed post-war potentials. In general principle, we agree 100 per cent with that. But the practical question is whether this peace psychology is now becoming vulnerable by looking too far ahead and by so largely ignoring less pleasant factors and contingencies that must be allowed for during the indeterminate remainder of our war effort. We think something of a psychological reaction is in the making. Peace—and the expected post-war business activity—are still not exactly within sight. And in the meanwhile there are going to be some other matters that will claim the attention of investors and speculators:—the 1943 tax program, for instance, about which Mr. Roosevelt may have some interesting comment to make in his forthcoming budget message; also the further and more severe disruption of civilian industries and civilian standards of living.

Shares of merchandising companies, for example, are at this writing very close to top recovery levels. The bullishness of buyers, and holders, is based on peace time projections. It is reasoned that the 1943 decline in trade volume—probably at least 10 or 12 per cent on an over-all basis and much more in some important types of goods—can be ignored because it will be a temporary war-time adversity. Now certainly we don't expect these stocks to head back down anywhere near their April lows, but as more attention is paid to the actual statistics of 1943 earning power we have our doubts that present prices can be maintained.

Thus far, the War Production Board has merely made a bare beginning on its program of "concentration" of civilian production in a reduced number of "nucleus" plants. But its moves in this direction in the coming year will certainly be more extensive and hard-boiled. In industries selected for such concentration the total volume and profits will obviously be reduced. Where plants are closed, the method of recompense—and just how much—to the owning corporation will be the big question, and nobody can answer it now. Some (*Please turn to page* 307)



1943 PREVIEW OF BUSINESS AND INDUSTRY

Cushing

BY GEORGE W. MATHIS

On the economic home front the broad shape of things to come in 1943 is quite clear:—

A further big increase in war production; additional curtailment of non-war production; growing shortages in consumer goods and services; more extensive rationing; a very tight labor squeeze; further rise in payrolls and national income; a severe test of the present none-too-strong inflation controls.

Also—and most important of all—1943 will without doubt bring a further deterioration in the military position of our enemies, possibly decisive in the case of Germany. As a result, the fact that corporate earnings and dividends will—with few exceptions—be moderately lower than in 1942 can be expected to have no significant effect upon security values; and the thinking of investors and speculators will be increasingly and primarily centered on the varying post-war potentials of the individual industries and companies.

Necessarily, however, many of the important details of the 1943 picture are hazy—depending on decisions yet to be made by the Government. and depending also to some extent on battle front developments.

For instance, the question of inflation is a problem exceeded in importance only by the matter of winning the war itself. Without adequate controls—and those now in effect are not adequate—we face a double danger: (1) that our national living standard will be progressively impoverished as money income depreciates in purchasing value; (2) that the foundation needed for orderly transition to a sound post-war economy will be seriously undermined. Yet as the political situation stands today, no one can confidently predict how successful the Administration may be in dealing with this problem.

Last autumn, with farm prices and the Roosevelt labor policy the key issues, the President won an inflation control fight with Congress. But since then an election has gone sharply against the New Deal. Now, in various matters of domestic policy and management, the President will have a continuing fight on his hands, and probably Congressional revolt on some issues. Already a farm price-parity bill—calculated to raise retail food costs by some $2,000,000,000 a year through inclusion of increased farm labor costs in the price formula—has been revived in the House of Representatives and shoved through without a dissenting vote. It is conceded by most Washington observers that this inflationary measure has a good chance of becoming law, over the President's veto, before we have gone far into the new year.

If so, the labor unions will jump at the opportunity to junk the Administration's wage stabilization program and to abrogate their "no strike" pledge which in all too many instances has been honored in the breech anyway. Thus the vicious spiral of food-wage inflation—far from completely stopped as it is—would be on the rampage again.

The point I emphasize here is that the apparently certain conflict between Congress and the Administration—which is more fully discussed in the special article on page 277—will shape every controversial decision to be made on the war-economy controls in 1943, including taxation and forced savings, the extent and timing of additional consumer rationing, the "concentration" of civilian industries, the mobilization of manpower, etc. The inevitable result—especially as the war goes more favorably—will be a tendency to temporize and compromise, at the expense of bold and prompt decisions.

The Danger of Inflation

At a time when the economic-financial factors making for inflation are getting stronger with each passing month, effective control will become more difficult politically. The upward trend in employment and payrolls, already at unprecedented levels, will continue. Aggregate income of consumers is now at an annual rate of about $116,000,000,000, fully 45 per cent more than in 1929, and is expected to be at least $125,000,000,000 for 1943 as a whole. But while spendable consumer income is rising, the available supply of consumer goods and services will decline.

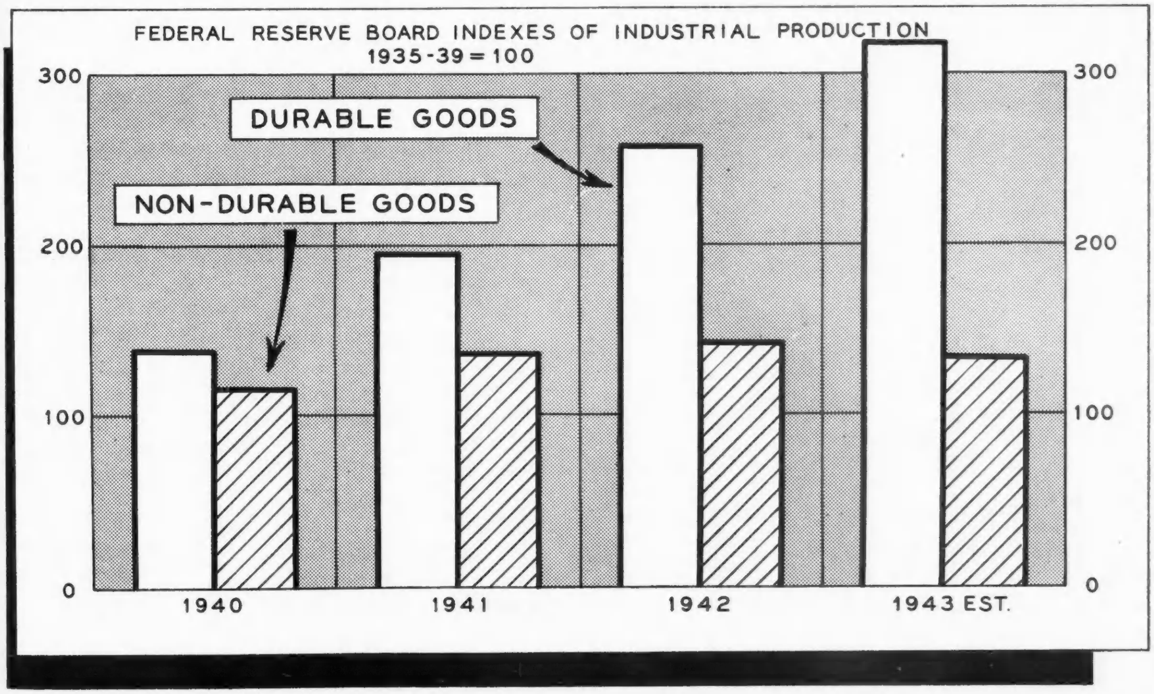
Therefore, unless the public is extraordinarily thrifty in voluntary savings—or unless a stringent anti-inflation program of general rationing and higher individual taxes is adopted—the upward pressure on O.P.A.'s wobbly structure of retail price ceilings will become terrific and eventually overpowering.

It is impossible to predict—in terms of the average cost of living or the broad commodity price index—just how much inflation we are likely to have in 1943. That we shall have *some* further inflation seems absolutely certain. That it could be important in scope is quite possible. As business man or investor or both, it is common sense for you to plan accordingly so far as is humanly possible.

Investment Planning

As an investor, the pressure of higher living costs and heavier taxes will give you extra special reason to explore carefully the feasibility of readjusting your security holdings in the direction of higher income return. Often this can be done in at least worthwhile degree with little, or no, sacrifice of safety.

And in this inflationary period you will be well advised to re-examine each security that you hold, not primarily with regard to hedging against inflation—for with gold unavailable to the individual in our modern world there is no such thing as a fool-proof inflation hedge—but with respect to the effects of inflation upon the company in which you have invested. Corporations, like individuals, can be squeezed by inflation if operating costs rise faster than selling prices can be increased. Utilities are an outstanding example of vulnerability. The railroads would become increasingly vulnerable as the physical limits of traffic expansion—and therefore of gross



revenue—are approached. Many merchandising concerns would be in the position of selling out inventories that either could not be replaced or could only be partially replaced at higher and higher cost and with a narrowing margin of profit. In appraising your company's chances of successfully "riding through" a protracted inflationary period, primary factors to consider are operating flexibility, character of sources of materials supply available to it, and demonstrated ability of the management.

Problems Confronting Business Men

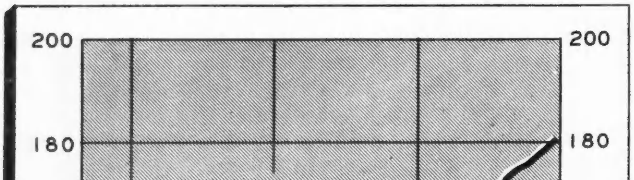
As a business man, unless directly engaged in war work, your big 1943 headaches are going to be: getting enough materials for processing or enough goods for resale; labor supply and unprecedented rate of personnel turnover; control of operating costs. Between physical shortages and Government hindrances, you simply can't buy too much inventory; and all that you have, or can buy, of usable things will have a ready market. You have to get used to more, rather than less, bureaucratic regimentation, hard to understand forms and questionnaires, unfamiliar burdens of paper work foisted on you by the Government. You will not only have to pay higher taxes but pay the bookkeeping costs of collecting taxes for the Government from your employees by payroll deductions for the Victory tax, and this may well be additionally complicated by new pay-as-we-go and collect-at-the-source taxation.

For us all as consumers the real squeeze in living standards has been moderated and deferred because we have been supplied importantly out of hugely expanded retail and wholesale inventories that were built up in 1941 and to a lesser extent during the first half of 1942. But in more recent months these inventories have been declining, and at this writing a very large bite is being taken out of them by Christmas buying which everywhere is above the record level of a year ago and which in active war-industry cities and towns is anywhere from 25 to 75 per cent higher than a year ago. As inventories of consumer goods progressively decline, shortages will hit the consuming public and the merchants in a big way in 1943. The fact that as of today you may still be able to buy an aluminum pot or a radio or waffle iron—or that your wife may be lucky enough to find a couple of pairs of silk or nylon stockings available somewhere—does not change the underlying reality of cumulative shortage.

Severe Shortages Coming

Probably not less than 4,000,000 men—possibly 5,000,000—will be added to our armed forces during the year. The great bulk of them will be between the ages of 18 and 34. Production for war probably will reach the limit permitted by material and human resources by the third quarter of the year, with war volume for the year as a whole probably 50 to 60 per cent larger than that of 1942; and with total industrial output—allowing for decline in civilian consumption—probably 15 per cent larger than in 1942.

This enormous program will involve great strains, stresses and dislocations in our economy. There will be abundance of exactly nothing — except money and work. Millions of new workers—and the greater part of these will have to be from the ranks of married women—will be needed in the labor force. The over-all economic squeeze, though varying in particulars from community to community, will be all-inclusive: materials, labor, transportation, fuel, power.



In short, we are rapidly approaching the final stage of mobilization for war—the stage at which the most difficult and crucial problems and decisions have to do not so much with output of arms as with control of the diminished civilian economy, the equitable and efficient distribution of a curtailed supply of consumer goods, the avoidance of "galloping" inflation.

You will hear much heated official talk about a huge "inflation gap" which nobody can measure with genuine precision because nobody can foretell exactly how much of income consumers will voluntarily save nor foresee just how ingeniously business will manage to serve its customers. Whatever the statistical size of the actual gap, it is a 20-to-1 bet that Congress will come nowhere near closing it by means of added individual taxes, whether or not combined with compulsory savings.

Making the most generous possible allowance for voluntary (*Please turn to page* 310)

Westinghouse

Ahead— NEW INDUSTRIAL HORIZONS

BY WARD GATES

The greatest story of the war is a story that cannot be fully told until after the coming of peace—the story of the startling progress that science has made in exploring new fields in the brief year since Pearl Harbor.

Many of these achievements come under the veils of military secrecy, but what has been done, when it is revealed, may well dwarf the colossal achievements of industry in the building of tanks, planes and guns.

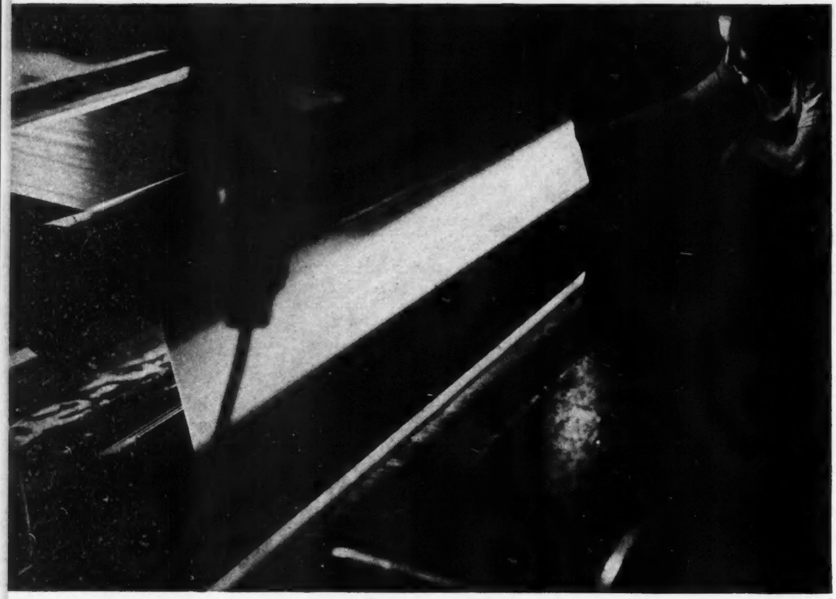
Dr. C. M. A. Stine, vice president of Du Pont, and its advisor on research, who is one of the country's great practical scientists, said only a few months ago, "After victory—what? My answer is that now, today, even as I speak, the pressures of this war are compressing into the space of months developments that might have taken us a half century to realize if necessity had not forced the pace."

The scientific front has thus been pushed ahead into what we might have reasonably expected sometime in the next generation. The most startling and the most secret of the advances have been in the field of electronics, the realm of the radio tubes, of television and the electron microscope. Conservative scientists who cannot tell all they know say that new discoveries in this field will not only revolutionize radio but perhaps the whole course of daily life and industry.

Next in importance is the advance in the field of petroleum chemistry. Here no single revolutionary discovery can be stressed. The accumulated research of years is culminating in the opening up of a new chemical industry based on petroleum instead of on coal tar. Already the United States is making its T.N.T. and its ammonia from petroleum raw materials. Petroleum will be the base for the synthetic rubber industry. Gasoline in the air has given place to new fuels, synthetic organic chemicals, with vastly greater power that are not gasoline at all. Behind all this is the probability that drugs and vitamins and dyes, and nearly all of the chemicals that used to come from coal tar sources may also come from the oil wells. Coal tar chemical makers must therefore look to their laurels. Union Carbide & Carbon and Dow Chemical Co. are at present the two leaders in the chemical group in petroleum chemistry.

The war has brought a startling increase in the nation's capacity to produce light metals. There will be enough aluminum capacity in the country before long to replace all of the passenger cars on American railroads three times over. Add to this the production of magnesium, lightest metal in the world, in volume equal to our normal use of copper.

The enormous increase in the production of these new light metals which were just beginning to gain general industrial acceptance before the war has brought down costs to the point where they can compete more keenly than ever with the old heavy metals. It has also brought advances in techniques of making light alloys and of fabricating the new



Dupont

materials, over-coming disadvantages which will further widen their fields.

Production of magnesium, lightest of the metals now in large scale use will be in the neighborhood of 300,000 tons annually before long. Magnesium is about one fifth the weight of copper so this means that on a bulk basis there will be half again as much magnesium used as the million ton annual American copper consumption. All of this new capacity is now going into war goods but after the war it will seek new outlets. Magnesium, unlike aluminum, does not appear to be a direct competitor of copper.

Since magnesium is still the newest of industrial metals only a limited amount of research work has been done in working out new uses and new alloys. Metallurgical laboratories all over the country are at work on this problem, and the chances are that there will be remarkable new developments in this field that will widen the light metal's uses.

Post war uses for magnesium will of course be large in airplanes, and perhaps in automobiles and truck trailers. There is certain, however, to be a trend toward lightness in tools, and household equipment of all sorts which will mean more magnesium vacuum cleaners, and light-weight automatic hand tools for industry.

Beryllium is a new metal with remarkable qualities which seems destined for an important place in the post war science of metals. Lighter than magnesium it has the curious ability to make a copper alloy harder than steel and of amazing toughness. Beryllium, because it is still one of the most difficult and costly metals to extract from ores, is not produced on a large scale, but only small amounts are needed to give new qualities to copper. More recently alloys of nickel have been produced. The copper alloys are particularly valuable in springs in electrical instruments. They are excellent conductors of current and have high resistance to fatigue. Beryllium nickel alloys are stiff but not brittle, have tremendous tensile strength and are highly resistant to corrosion. Metallurgists believe that they have great possibilities in widening the field for nickel, particularly in the chemical and electrical industry and in motors. International Nickel is believed to be interested in exploring the possibilities of the new material. Leader in the beryllium field is the Beryllium Corp.

Still another new metal that has come into expanded use with the war is boron, used for making ultra hard steel alloy tools and drills.

One of the remarkable developments in the field of metallurgy in the last few years, which is now important in speeding the war effort and will have even wider uses in peace time, is what is called powder metallurgy. The technique is to take finely powdered particles of various metals and then treat them very much the way chemical plastics are treated. The metal powders under moderate heat and very high pressure are compressed into the required form. This offers a good many advantages over the technique of fusing molten metals to make alloys. Metals with different qualities are produced and the cost of fabrication is lower. It was just getting into full stride in the motor industry when the war came along, and greatly reduced costs on many important parts. Powdered metallurgy is used to make spongy bearings of copper, tin and lead, mixed, which retain oil and improve lubrication. Large bearings heavy enough for ships or for steel rolling mills can be made in this way. When further advances are made in the science still greater industrial possibilities will probably be opened up.

Progress In Metals

Another metallic development of enormous value to war production is the "Pluramelt" process developed by Allegheny-Ludlum Steel Corp. This consists in binding two sheets of dissimilar steel, one of high grade alloy and the other of ordinary low grade steel in an indissoluble bond. As a result chemical apparatus for synthetic gasoline or synthetic rubber for example can be made of cheaper steel with a high alloy steel coating. This means a great saving in the use of expensive steel for a single application but will probably increase the use of high alloy steels because of the notable reduction in cost. Developments of this process in war work are military secrets.

In the field of glass also, new horizons are opening up. Eastman Kodak just brought out a new

glass, not made from silicates which has been the main glass making material but from the oxides of rare metals. It is now all going into war instruments. Glass makers are now making a curved safety glass for airplane turrets which opens the way to the possibility of curved glass windshields with perfect vision in post war automobiles.

Along with the production of more light metals there is a steadily mounting production of plastics. In this field the greatest industrial repercussions will undoubtedly be created by the advance of plastic plywoods. A huge transport airplane building program and the enlarged shipbuilding program will mean the setting up of capacity to make these plywoods that will be many times pre-war output.

Plastics thus will become a major raw material. They will be discussed in detail in Part II of this feature in the Jan. 9 issue.

More Intense Competition

From all of this plethora of new materials and from the new ways of manufacturing that are being uncovered on every hand in the speedy pushing forward of war work will come the most widespread industrial competition among materials that has ever been seen.

One of the effects will probably be that fabricators of the hundred and one items that go to make civilian goods, everything from automobiles to electric toasters, will be in a very much better position than the producers of raw materials. The fabricator will have a dozen new materials to choose from. Industrial designers will busily work out new types of articles, cheaper to make, more efficient, and more attractive to the eye and manufacturers will select the material that will do the job the best, with a wide selection available.

Another facet of this same situation will be the trend for everybody in industry to go into every kind of industry. Old line companies forced to do unfamiliar jobs have discovered that they could be done and done well using the new techniques worked out by engineers. The making of shells and guns alone has taught the metal fabricators more about how to produce than they have learned in the previous ten years. Here will be another fertile field for unexpected cross-competition.

Changes in civilian life will be equally as great as in industry. After allowing for an interval of re-tooling and the adaptation of new chemical and electrical discoveries to the uses of civilian life, the home owner and the automobile driver may find that everything he owns has become obsolete over night.

Transportation may see one of the greatest of revolutions. Aluminum had already started to go into railroad cars before the war. The railroads in order to save power and lower costs may very well use light metals in both passenger and freight cars. Airplanes will compete with them for passenger traffic which will mean that every effort must be made to provide new equipment and superior comfort on the rails. Even the scientific dreamers, however, do not look for the airplane to replace the railroads in the hauling of heavy freight for many years to come.

The automobile industry at the end of the war will start from scratch. Many tools have been scrapped, and the cars of last year are already obsolete. The new synthetic fuels developed for airplanes will undoubtedly mean the development of new automobile motors, probably much smaller and lighter that will give much greater power and will perhaps give mileage of 50 miles to the gallon. Light metals will be used in the bodies to save weight, perhaps meeting competition from plywoods. The new automobiles will have sealed cooling systems, automatic gearshifts, and synthetic textile upholstery. Traffic will probably be controlled by electronic radio devices, working through instructions to the driver on his own radio. There may even be automatic radio controls to stop all cars on a given highway in emergencies.

Here a conservative word of warning from practical automotive engineers may be inserted. They look for many of these new things to come. But they do not look for them to come in the first or in the second year after peace comes.

General Motors engineers also believe that many problems remain to be ironed out before the airplane type of motor can be adapted to the automobile.

Although the airplane will hardly attempt to compete with railroads and ships for heavy freight, the post war world will certainly see fleets of great passenger and light freight carrying planes, probably drawing trains of (*Please turn to page* 311)

Gendreau

A Strategic Investment Program for 1943

BY J. S. WILLIAMS

Common stocks are only one of the fields of investment. Nothing said in this article should be interpreted as advice to invest *all* of one's funds in equities. The proportion of an investor's capital which should be placed in life insurance, mortgages, bonds, preferred stocks, common stocks and real estate is determined by the needs of the individual or the fund—not by any rule-of-thumb rule. Under present conditions, most certainly, a very large part of any new savings should be placed in war bonds; and we are not encouraging neglect to buy war bonds merely for the purpose of keeping available funds to buy stocks. War bonds come first, both in self-interest and as a patriotic duty.

In most well-balanced investment funds, however, common shares have a definite place. The provide (1) an opportunity to supply industry with necessary venture capital, (2) a medium through which the investor has a chance to increase his principal, (3) usually a better yield than other types of securities, and (4) sometimes a thrilling element of adventure. Since they are synonymous with the risks of owning a business, equities are not foolproof. They normally involve risks which should not be assumed by those who cannot afford to act as entrepreneurs. Generally speaking, too, they should not be owned by people who lack business acumen and a willingness to keep informed. Common stocks are not fitted to the portfolios of the timid or the indolent. Nor should the shrewd, well-informed and adventurous hold them to the exclusion of other types of investment commitment.

The first thing for any investor to do is to think through his problems and requirements, deciding whether he has a proper balance (for his individual purposes) between mortgages, bonds, life insurance, real estate, possibly a personally owned business, preferred stocks and common stocks. In this article we are assuming that such thinking has been done, and that the reader knows what portion of his funds he wishes to place in stocks. This introduction is necessary, we think, because we completely neglect all types of investment except common stocks in the discussion which follows.

The 1943 common stock investment environment is likely to be influenced by (1) the approaching end of the war and a consequent "victory" psychology, (2) a supply of money greater than the dwindling supply of civilian goods and commodities, (3) fears and hopes about the coming peace economy, (4) evidence of the existence of powerful inflationary phenomena which temporarily will be more or less "controlled," (5) higher taxes on personal incomes and more slowly rising taxes on corporation profits, and (6) a conviction that there is a more conservative political trend in this country.

Dividend payments in 1943 may be somewhat smaller than in 1942, but the shrinkage should not be great. Corporation earnings after taxes, in most cases, probably will be moderately lower, but not sharply less. To offset modestly lower dividends and earnings, the market probably will have a disposition to put a higher appraisal on a dollar's worth of dividends and a dollar's worth of earnings. Just as after World War I, and even in the last year of that conflict, there probably will be a tendency for what the investment counsellor calls "price-earn-

Selected Common Stock for Dependable Income

	Dividends Paid Since	Dividend Paid in 1942 (d)	Recent Price	Yield on Basis of 1942 Div.	Est. 1942 Per Share Earnings
American Telephone	1881	$9.00	130	6.9%	$8.90
Chesapeake & Ohio	1922	3.50(e)	34	10.3	4.00
Columbian Carbon	1916	4.25(e)	78	5.4	5.70
Commonwealth Edison	1890	1.60	21	7.6	1.75
Endicott-Johnson	1919	3.00	44	6.8	4.50
General Foods	1922	1.70	34	5.0	2.10
General Mills	1898	4.00	84	4.7	5.25
General Motors	1915	2.00	43	4.6	3.10
Intntl. Business Machines	1916	6.00(a)	146	4.1(c)	9.50
National City Bank	1912(b)	1.00	27	3.7	1.90
Procter & Gamble	1891	2.00	50	4.0	2.75
Swift & Co.	1934	1.50(e)	22	6.8	2.25
Texas Gulf Sulphur	1921	2.25(e)	35	6.4	2.50
United Shoe Machinery	1905	4.00(e)	63	6.3	4.00

(a) Plus 5% in stock.
(b) Records complete only to 1912, but dividends have been paid for many years.
(c) Plus 5% in stock.
(d) It should be remembered that dividend payments fluctuate from year to year.
(e) Includes extras.

ings ratios" to rise. War always causes investors to put a lower market price on earning power, and the return of peace causes the market value of earning power to recover. The public has more confidence in peace earnings than in war earnings. In fact, it has very little confidence in the value of earnings derived from the production of war supplies and the instruments of war; and the market value of war earnings declines as the conflict wears on toward an end.

Thus, the first point we would like to make is that the war shares probably will become more and more unpopular and that the peace shares, in spite of the rise recently sustained, are likely to increase in investor favor. At the same time, it is probable that stock prices—especially the prices of issues representing peace industries — will be higher even if earnings and dividends are lower. It is not necessary, early in a peace period or late in a war period, for stock prices to follow the earnings trend. People are thinking about the future, not about the past or even about the present. Of course they may try to judge the future by the past, just as they have done to a considerable extent ever since the beginning of World War II. Assuming that the war comes to an end late in 1943, for instance, it might be their inclination to anticipate that 1944 will be like 1919. In 1919, it will be remembered, we had a big bull market with many even of the 1916-1918 war babies selling higher in the first year of peace than they sold at any time in the last year of the war.

Stocks for Appreciation and Yield

(Semi-Speculative Dividend Issues)

	Recent Price	1942 Dividend	Ind. Yield	Est. 1942 Net Per Share
American Can	72	$3.50	4.5%	$4.00
Bohn Aluminum	38	3.00	7.8	12.00(c)
Borg-Warner	25½	1.60	6.2	3.00
Buffalo Forge	14	2.00	14.2	4.00
Consolidated Edison	15	1.60	10.6	1.65
Eaton Manufacturing	33	3.00	9.0	8.00(c)
General Fireproofing	14	1.00	7.1	2.00
General Telephone	16	1.60	10.0	2.10
Holland Furnace	27	2.00	7.4	2.50
International Harvester	56	2.50	4.4	3.00
Iron Fireman	14	1.20	8.5	1.60(c)
Loew's, Inc.	46	3.50	7.6	7.00
McKesson & Robbins	14	1.00	7.1	1.75
Mid-Continent Petroleum	18	1.40	7.7	3.00
Minneapolis-Honeywell	58	2.50	4.3	4.00
Montgomery Ward	32	2.00	6.3	4.25
Paramount Pictures	17	1.20(a)	7.0	3.50
Rustless Iron & Steel	11	0.75	6.8	2.80(c)
Socony-Vacuum	10	0.50	5.0	0.65
Swift International	27	2.00	7.4	no est.
United Fruit	63	3.00(b)	4.7	no est.

(a) New rate; paid $1.05 in 1942.
(b) New rate; paid $3.75 in 1942.
(c) Including EPT credit and reserves.

The one big thing in the 1943 news will be the war. How it goes, how it looks when it ends and how it ends are unpredictables. As everyone knows, the present assumption is that it will go well, and come to an end, or approach an end in the next 12 months. Without doing much real thinking about it, probably most people are assuming that the war will end much as World War I ended in 1918—suddenly at 11 o'clock in the morning without any advance notice.

People are thinking that this war, like World War I will "flash out." It may not. It may "fade out." No one knows how long Japan will keep on fighting after Germany quits, or how long Germany will continue to battle after Italy is knocked out. No one knows how peace and order, to say nothing of stable governments, will be restored in occupied countries such as France, Belgium, Holland, Norway, Jugoslavia and Greece. No one knows how long it will take to restore Central Europe to a state of normalcy. All these things probably will be market influences.

Even the assumption that Germany already is beaten may have to be revised. There could be Allied reverses in this war, reverses which would prolong the conflict. Probably at least there will be some further discouragement.

So the second point we would like to make is that the market, and therefore individual stocks, may sometimes do things on false assumptions about the war. Stocks may not, in every move, reflect passing conditions and the future accurately. Its movements may be premature, or even altogether inaccurate as barometers of future events. That is a risk the common stock investor takes.

In constructing the three lists of stocks which accompany this story we have made some assumptions about what 1943 and the years immediately to follow may be like. Our assumptions probably are not 100% right, but almost certainly they are not 100% wrong.

In the first place, we assume that World War II will begin the process of "fading out" in 1943. We do not think it will "flash out" in both Europe and Asia at the same time, and we assume that "war conditions" with some variations will prevail in parts of Europe for some time after Hitler's army and navy surrender. In other words, we would guess that the war will "begin to be over" in 1943 but that it will not "be over."

Second, it may be assumed that war industry shares will not again, in this conflict, attain popularity as speculations. They may rally from time to time, especially if the war news is bad or if they become too seriously oversold; but the boom in war shares probably is over.

Third, by the same token, peace shares will con-

tinue to be in demand. They will sell higher even if earnings and dividends go lower, for the public will not be buying them on their current earning power but on appraisal of their future.

As a matter of fact, this writer has toyed with the idea that the peace shares may be higher in the last year of the war than in the first year of the peace, and thought that some of the war shares may be higher in the first year of the peace than in the last year of the war.

In the fourth place, the "war-or-peace" stocks, representing companies which are doing well in the war years and should also do well in the early years of peace, although theoretically more desirable than either the war stocks or the peace stocks, probably will continue to occupy a price position somewhere between the two. It would seem almost as though the war flavor in these "war-or-peace" stocks tends to cancel out part of the peace flavor—and for no good reason.

Fifth, we assume that inflationary phenomena will continue to be pretty well controlled, in the stock market as elsewhere, at least until after the war. Just as in 1919, we probably will have some kind of an inflationary market after the war. (At this point it should be remarked that common stocks, by and large, are not an effective hedge against inflation. Some common stocks may, by chance, happen to be a good hedge; and there may be times when the trading public, flush with money, may assume that stocks are a hedge. This, however, does not alter the broad economic fact.)

Sixth, we assume a continuity of conservative political trends both in elections and in the nation's legislative bodies. This trend in 1943 will begin to be confidence creating, and reverse the defeatist psychology which has been so apparent among men of wealth for the past decade. The changes in the capital gains tax, which make stocks so much more desirable as investments for the wealthy, are a part of this trend.

Seventh, we think there will be more of a quest for yield among those who derive their livelihood chiefly from securities. More yield will be necessary because the cost of living is bound to rise further. Many people who have been living from 2%, 2½%, 3½%, and 4% yields will find it necessary, if living standards are to be anything like maintained, to get a 5%, 6% and 7% return on their capital.

Eighth, we think the market will continue to display highly selective habits. This is an essential characteristic of a market without speculative leadership and speculative management; and speculative management is impossible under the provisions of the Securities and Exchange Act. The market in late years has been more logical, more intelligent and more accurate in its estimates of the relative values in securities than ever before. The very wide spread between quality stocks and speculative issues, so often marvelled at, is only one of the manifestations of an unwillingness to assume risks. Our guess would be that this wide spread will tend to narrow as political confidence is restored, which means that there probably are bigger bargains in the side streets of the Stock Exchange than on the main avenues.

Ninth, we are going to hear much more about growth stocks, or issues representing companies which are growing rapidly because of technological, geographical or merchandising advantages. It will be found that not all the growth stocks are liberally valued chemical issues. There will be new growth stocks discovered. The war has greatly stimulated mechanical, chemical and production method research; and the peace will witness a similar interest in research in markets, both at home and abroad. Every portfolio should include some new growth issues.

Tenth, we look for increasing stress on the matter of capital growth. Investors are going to be capital growth conscious because (a) it is going to take more capital to produce the larger amount of income necessary to maintain living standards in an economy of higher prices such as the deficit financing of the war is bound to bring, (b) under the new capital gains tax provisions (which may be even fur- (*Please turn to page* 308)

Low-Priced Issues for Appreciation

(Primarily Speculative Stocks)

	Recent Price	1942 Dividend	1937-1941 High	Est. 1942 Net Per Share
Alaska Juneau	3	none	15¾	$0.15
Barber Asphalt	12	none	43⅜	Loss
Creole Petroleum	16	0.75	38¾	1.25
Davison Chemical	12	0.60	12⅝	2.50
Decca Records	9½	1.15	9¼	2.00
Fansteel Metallurgical	9	0.25	17½	2.00
Hecker Products	8	(a)	15⅞	0.10
Homestake Mining	28	(b)	66¼	3.00(i)
Intl. Minerals & Chemical	10	0.50	10	2.50
Jarvis, W. B.	10	1.20(c)	18	2.00
Lake Shore Mines	7	0.80(d)	59½	1.00
Natural Supply	5	none	41⅜	1.25(j)
North American Co.	10	(e)	34⅞	1.95
Pure Oil	10	0.50	24⅜	1.75
Remington Rand	12	0.85	26½	2.00
Roan Antelope	6	0.28(f)	28⅞	0.35
Twentieth Century-Fox	14	1.25	40⅞	4.50
U. S. Leather A	12	1.00(g)	22⅜	5.00
Warner Brothers	7	none	18	2.20
Western Auto Supply	19	1.50(h)	40⅞	2.50
Western Union	26	2.00	83½	7.00

(a) Dividend was omitted after payment of 15c early in the year.
(b) Paid $3.75 before dividend was passed.
(c) Actually paid only 30c in 1942, but $1.20 is assumed for 1942.
(d) Paid in Canadian funds and subject to 15% non-residence tax.
(e) Paid dividends in Detroit Edison common worth about $1.40 a share in cash at recent prices for Detroit Edison.
(f) Approximate amount.
(g) Nothing paid in 1942, but 25c quarterly rate now indicated.
(h) $1.00 annual rate now indicated.
(i) Before depletion.
(j) Including post-war refund.

Cushing Phot

WHAT TO EXPECT OF OUR NEW CONGRESS

BY E. K. T.

President Roosevelt's troubles with Congress from here on will be reminiscent of those encountered by President Hoover after 1930—but with important differences.

The Congressional election of 1930—with the "New Era" prosperity bubble busted and unemployment rapidly increasing—gave the Democrats a small majority in the House and only 1 seat less than the Republicans in the Senate. Hoover's hands were tied.

The recent election left the Democrats with a reduced majority in the Senate but a still comfortable one, while the loss of New Deal strength in the House was so great as to put the balance of power in an informal combination of Republicans and anti-Roosevelt Democrats. Thus, Roosevelt has lost effective control of the House and will have no easy time leading it.

But there is no such overwhelming tide of public irritation and resentment running against Roosevelt as was running against Hoover after the onset of the great depression. The President still has a strong hold on the favor of the voting masses. It is debatable whether the opposition gains in Congress would have been so large if the election had been held ten days later—after news of the landing of our forces in North Africa had given the American people their first major psychological lift of the war.

We are in the midst of our most fateful war. Roosevelt is the commander-in-chief. Subject to his health—which is good—he will be the only national

leader at least through 1944. There can't be any other. Moreover, he is a much more adroit and skilled politician than Hoover ever was. These facts obviously will greatly influence the character and strategy of the President's opposition in Congress and set limits on what it can do.

The opposition can criticize and complain. It can revolt against particular policies, proposals or methods. But in the war environment of 1943 Congressional opposition and recalcitrance merely for their own sake would assuredly and promptly become a political boomerang.

Demand for Constructive Opposition

There is strong public demand for a constructive opposition—the test being whether it makes positive contribution to the war effort. There is a considerable reaction—though whether it is yet a majority view is doubtful—against certain of the President's domestic policies, especially his labor policy and his partnership with the odoriferous Hague, Flynn and Kelly political machines.

But while the public may love Roosevelt somewhat less than formerly, that does not mean it loves Congress more. Congress as an institution has long been on the defensive and still is. To say the least, it commands no surplus of public respect. It is cumbersome and inefficient. It is long on politics and short on statesmanship. Its ancient seniority rule by which chairmen of the committees—which really dominate Congressional actions through behind-the-scenes deliberations and horse-trading—is an absurd anachronism in this modern world. Some of the more intelligent and progressive members realize all this. There are moves afoot to streamline the organization of Congress and to set up a corps of research experts to provide the same kind of assistance that the administrative agencies have found so helpful. But how far this sort of thing will get remains to be seen.

The record of the Republican opposition to date has been generally barren and non-constructive. It is improbable that this will change. The strategy of the Republicans is to make hay out of the intra-Party conflict between Roosevelt and the anti-Roosevelt Democrats of the south and west, to dodge accepting leadership responsibilities, to let the majority Party get blame for the mistakes, to "wait for the breaks," to bank on picking up anti-Roosevelt and anti-Democrat votes in coming elections simply because such votes will have no other place to go.

To date the most constructive and effective criticism has been supplied by Democrats, including some—such as Senator Truman—who can not be classed simply as anti-Roosevelt. This will continue to be the case, from present indications.

The most significant political conflict—a conflict which will largely shape Congressional action on all controversial issues—is not that between the Republicans and Democrats but between the New Deal and anti-New Deal wings of the Democratic Party. If it were not for this, Roosevelt would still retain a working control of Congress—or perhaps we might more accurately say he would still retain a pretty good batting average in leadership on domestic, as well as foreign, issues.

It is the anti-Roosevelt Democrats and the lukewarm Roosevelt Democrats—the Republicans merely "going along" with them in bucking the White House—that will be the President's "hair shirt" in this Congress. What is this fight about? The answer is simple. A number of Right-wing Democratic politicians have soured on Roosevelt; don't want him to be renominated in 1944 and don't want him to be able to dictate the nomination of Wallace. The fight is for control of the Party in 1944 and thereafter.

Until fairly recently, "conservative" Democratic Senators and Representatives from the South accounted for the bulk of this intra-Party opposition to the New Deal. For a long time it was kept more or less under cover. Now it is coming increasingly into the open and is getting more bitter. Also it is no longer confined to the Southern "conservatives." The Farley-Roosevelt fight broke the New Deal hold on New York State, delivered a lot of fat patronage to the Republicans and gave Dewey—the most effective vote-getter and crowd pleaser in that Party (as well as a very able man)—a head start toward Presidential nomination in 1944 if he wants it at the time. Within the past fortnight—without consulting Roosevelt or Boss Flynn—the Democratic political leaders of nine western states called a pow-wow at Omaha with the openly stated purpose "to probe the ailments" of their Party. The States represented were those in which the New Deal and the Democratic Party lost important ground in the November Congressional election.

"Must" Legislation Is Out

Against the background that we have painted heretofore, what can be expected of the new Congress?

(1) "Must" legislation is out. Congress will resist demands for any more sweeping delegations of power to the President. Every piece of White House legislation will be carefully and thoroughly scrutinized. White House demands will have to be proved on the basis of need. Congress is very sore at past executive "usurpations of power"—at the instances in which the Administration has "read into" statutes powers that Congress did not specifically intend. The most recent example is the so-called $25,000 salary limit, imposed by executive "law." Twice Congress refused a White House suggestion for such a limit on individual incomes by law. When the anti-inflation farm price legislation was under consideration last autumn, Senators Barkley and Brown stated in answer to questions of dubious Senators that it did not authorize a $25,000 income limit. Yet shortly after the bill was passed, the salary limit was decreed. The President's recent demand for legislation (*Please turn to page* 312)

Food is fast becoming nation's No. 1 headache. And there's little relief in sight. Within the next few months Agriculture Department press agents will have to tell Americans some of the truth about the food situation. When they do, it will be a complete about-face from their recent mouthings that everything is hotsy-totsy. Maybe they'll take their cue from the head of the British Food Mission to U.S. who recently used the ugly words "food shortage in America."

Housewives are due for an education. With grade labeling decreed the next step is a national program to explain the meaning of the mysterious A's, B's and C's which will start appearing on labels next year. O P A will undertake this with ad layouts, booklets, and other ballyhoo.

Don't count too much on two and a half pounds of meat when meat is rationed. Supplies, from present outlook, won't allow it. Rationing is still two or three months off. In meanwhile, situation will get worse. People will welcome meat rationing when it comes.

You'll soon be eating coarser but more nourishing bread. Government is about to tell industry to stop wasting the coarser parts of wheat hulls. A national loaf, like England's, is in the offing.

War-time nutrition program has been pigeon-holed for time being. Already scheduled by Paul V. McNutt's Office of Defense Health and Welfare, it is being shelved because the new Food Administration wants to go over it before anything is started.

Vitamins: foods or drugs? Unexpected turn in the Food Administration is that it will take over supervision of production and distribution of vitamin products. Drug trade is worried no end. Vitamins are drugs, not foods, they claim.

Food stamp program will continue, despite absence of huge surpluses. Far-flung administrative army created by Agricultural Marketing Administration to aid farmers in disposing of oversupplies to people on relief will be maintained. But goal will be redefined. It will get to work on a program of improving diet of the underprivileged suffering from cost increases. It will stand by to meet any "war-borne civilian disaster."

Army has hinted at new planes to "make the angels gasp." This doesn't even start to tell the story. Proud manufacturers would like to tell it in detail. They can't do it because the armed services won't approve. Military secrets.

Move is on to simplify airplane instrument panels and intricate inter-communication systems. These involve tedious and laborious hand operations. Advocates argue change would have little effect on flyers, great effect on production.

Look for N Y A to go the way of W P A. If the President doesn't abolish it Congress will. President is expected to include it in the budget, due in about two weeks. But Congress will have the ax ready.

Armed forces will seek to handle their own liquor control problem and stave off general prohibition. Liquor control orders for service men are in effect on Pacific Coast and five other western states. Regulations control hours for purchase of hard liquor by service men. Extension of plan to East and probably to the rest of the country is forecast.

Slaughter of milk cows will be outlawed. It will be ordered because it is necessary to stave off critical milk and butter storages. Agriculture Department has already asked farmers to milk three times a day.

Newspaper "specialties" are due to go. Aggravated newsprint situation endangers large comic supplements, multiple back-of-the-news columns, and possibly book review sections. Government won't tell publishers what to drop. Cut will be horizontal. It will be up to the individual publisher to say what goes out, what stays in.

Full dress probe of Office of Censorship is promised by new Congress. Lawmakers on Capitol Hill are all riled up by the scissoring of mail and even newspapers between United States and Alaska. The President will have something to say about censorship policies when all is said and done. White House is definitely blue pencil-minded.

C I O is readying its campaign to preserve the $25,000 net salary ceiling. President, under heavy pressure from C I O, asked Congress to set limitation. Congress twice refused. President did it by executive order. Lawmakers have threatened to rescind action in the new Congress. Union strategy to keep ceiling, if Congress attempts to lift it, is to say that the emergency is over. It will then threaten that unions cannot be held to their voluntary agreement not to strike for the duration.

Move in Missouri to require by statute an annual accounting of funds by each labor union is expected to have national repercussions. Sponsors will push it as a model for national legislation.

New Food Administration is finding the going tough with other Federal agencies. Agriculture Secretary and food czar Claude Wickard is having his troubles with W P B, O D T and O P A. Clashes have come over farm machinery, farm truck transportation and food rationing and distribution. Economic Stabilization Director James F. Byrnes will be called in to referee the fight and iron out the difficulties.

War Manpower Chief Paul V. McNutt is also having his troubles. They're just beginning. Outgoing Congress refused to give him the money and the added authority he needs to get his U.S. Employment Service in good working order. Legislative branch doesn't regard his presidential ambitions in a very friendly manner. Yet U. S. E. S. is a basis for manpower control. New Congress is less likely to accede to his requests than the last.

Don't be surprised if the gasoline ration takes another cut to keep the East warm this winter. Situation is desperate and action possible even before you read this.

O P A is due for a fine-tooth combing. Investigation of the whole field of operations of O P A will be launched by a Senate agriculture subcommittee immediately after new Congress convenes. Idea back of the probe is to hold off subsidies to maintain ceilings. Congress refused to allow Leon Henderson's organization to grant subsidies when he asked for the legislation. However, the President gave him the authority in the same executive order that set up the $25,000 net salary ceiling. Congress aims to circumvent that. But with Henderson now out, the new O P A chief will find the going easier.

Labor shortage area manufacturers will get relief from war manpower directive. W M C directive advised procurement officers against awarding war contracts to plants in areas suffering from labor shortages. General application has resulted in hardships on individual manufacturers and hampering the war effort. W P B will set up local review boards to hear cases of manufacturers who have facilities for filling contracts. On this basis of board recommendations exceptions under the directive will be made.

Eastern fuel oil situation will get another Senate investigation. Special Senate committee to investigate oil shortages signed off with a lengthy report last September. Since then situation has become worse. After the new Congress convenes the committee will start probing again.

Nothing can change the fact that 1943 will be a year of acute shortages and real sacrifices for civilians.

Economic Effects of Our AFRICAN VICTORY

BY V. L. HOROTH

Gendreau

The Bou Jeloud, Capital of North Morocco

In less than a month's time, the United Nations have extended their control in Africa over a territory larger than Continental United States and Alaska combined. If, as can now be confidently expected, the Axis armies are finally expelled from Italian Tripolitania and from Eastern Tunisia, an addition larger than the State of Texas will have been acquired. Despite these tremendous territorial acquisitions, however, the value of the gains is principally strategic and political. Any economic gains obtained from African victories are likely to be of an indirect nature, and may not be realized until after a considerable lapse of time. Nevertheless, expulsion of the Axis Powers from Africa should eventually simplify the transportation problems of the United Nations and in time permit a more intensive interchange of goods with Africa and the Middle East. Furthermore, since North Africa has been closely tied with the Continental economy, the shift in its control from the Axis to the United Nations represents a considerable loss to the Nazis. As a matter of fact this is much more important as a loss for the Axis than as a gain for the United Nations, which have been building up their economic strength without taking French Africa into account.

With North Africa in the hands of the United Nations, the widest of the gaps in the systems of naval and land obstructions barring the Axis Powers' access to the outside world will have been finally closed. To be sure, the gaps through Spain and Turkey and the road over the Caucasian land bridge to the Middle East still exist. It is not unlikely that the Nazis will try to overrun the Spanish peninsula in order to assure themselves of an effective control of the Southwestern approach to the Continent, but the United Nations' control over Dakar has already blunted any thrust toward the New World via "the bulge" of Brazil. Similarly, the danger of the Nazis and the Japanese joining hands in a grand strategy move in India has been greatly reduced, if not eliminated altogether, the Nazis now being confined to the relatively much more easily defendable gaps through Turkey and Caucasus.

First Fruits of Victory

Among the first fruits of victory will undoubtedly be a simplification of the patrol system over the central and southern Atlantic in regard to marine raiders, and the shortening of aerial routes to Egypt and the Middle East. Considerable shipping tonnage will be saved by shortening the route to the Middle East from some 15,000 to 6,000 miles. However, the necessity to supply our armies along "the

French North Africa: Trade in 1938

(All Figures in Millions of Francs)

COUNTRY—	Algeria	Tunisia	Morocco	Total
Exports—				
Wines, alcohols & by-pdts.	2,977	176	(a)	3,153
Grains & grain pdts.	493	260	228	981
Potatoes & fresh vegetables	218	14	79	311
Fresh and dried fruit	326	40	45	411
Olive oil	192	333	(a)	525
Tobacco & pdts.	117	(a)	(a)	117
Cork & vegetable fibres	67	5	70	142
Animals, meat & dairy pdts.	169	34	103	306
Wool	77	8	78	163
Hides	46	25	41	112
Phosphates	44	132	286	462
Irone ore	316	107	(a)	423
Lead ore	......	59	26	85
Cobalt ore	......	......	35	35
All others	597	160	521	1,278
	5,639	1,353	1,512	8,504
Imports—				
Automobiles, vehicles & rubber pdts.	270	90	65	425
Machinery & apparatus	252	102	37	391
Steel & other metal goods	309	106	28	443
Chemicals & drugs	267	60	(a)	327
Petroleum & min. oils	169	87	179	435
Coal	106	58	33	197
Textiles & clothing	661	188	245	1,094
Leather pdts. (shoes)	79	28	20	127
Paper pdts.	117	29	(a)	146
Grains & flour	108	35	(a)	143
Coffee, tea, cocoa	113	50	129	292
Sugar	252	65	280	597
Rice	63	66	15	144
Animals, meat & dairy pdts.	239	64	27	330
Vegetable oils	120	43	37	200
Wood	102	38	17	157
All others	1,768	451	1,073	3,292
Grand Total	4,995	1,560	2,185	8,740

(a) Not given. *Note: In 1938 one million French francs was worth about $30,000.*

southern European front" is likely to offset much of the saving so accomplished. The fact that the American soldier in a combat zone uses from one to three tons of ammunition, clothing, arms, fuel and food every month gives a rough idea of the possible tonnage requirements. To make the Mediterranean route safe it will be necessary to obtain control over Sicily, but should Spain be drawn into the war, then, of course, the opening of the Middle Sea will be delayed.

There is a possibility that the United Nations' armies in North Africa will eventually be able to rely on local supplies of certain agricultural products, such as fresh vegetables, potatoes, fruit, grain products and possibly even some meat. Unlike Italian North Africa, the three French North African Dominions produce in normal times considerable surpluses of farm products. First, however, it will be necessary to undo the effects of a two-year Axis control, during which French North Africa has been squeezed dry of all but bare supplies in order to feed Italy and Germany.

Economically, the North African Dominions, Tunisia, Algeria and Morocco, have been closely integrated with the economy of Metropolitan France, particularly since the depression. Algeria—often called the jewel of the French Colonial Empire—was in many respects an extension of France proper in Africa. It had a tariff union with the Mother Country, and three of its more Europeanized districts had direct representation in the French Parliament. Normally many North African agricultural products, such as grains, wines, vegetables and olive oil, were directly competitive with French farm2 products, but in the last pre-war years the production of more complementary products such as meat (mutton and pork) and wool was encouraged to obtain a greater self-sufficiency within the French Empire as a whole.

How extensive was the dependence of North Africa upon the Metropolitan France is best seen from the trade figures. In 1938 Algeria, Tunisia and Morocco sent some $194 million (U.S.) worth of goods to France and other parts of the French Empire and $51 million to the rest of the world. On the import side a similar situation existed. Only some $73 million out of $251 million worth of imported goods came from outside of the French Empire in 1938.

The direct trade of the United States with French North Africa was small, though, of course, some of the merchandise may have been shipped via France and thus appear in the trade with France. The imports, among which the most prominent were olive oil, cork, esparto grass and palm fiber (crin) and raw materials for production of cream of tartar, average only about $7 millions in 1937-38. Our exports to French North Africa came in the same two years to about $8 millions, the bulk consisting of lubricating oils, tractors, automobiles and electrical apparatus.

The Lack of Industries

The North African Dominions were dependent upon France for most manufactured products. With the exception of a few foundries, food and tobacco processing mills, clothing and rug weaving establishments, there were practically no industries. The lack of water power and fuel resources was chiefly responsible for this limited industrial development, though many native products such as leather goods and silver jewelry attest that skilled workers are available. Morocco has some anthracite and Tunisia lignite. Coal for railroads had to be imported, chiefly from Great Britain, while the bulk of petroleum products came from Iraq and Roumania. Since the depression the French Government fostered the building of water reservoirs (a few large ones are under construction) both for irrigation and for generation of electricity.

The fact that North Africa was so closely geared

French North Africa: Mineral Production, 1937

(All Figures in Metric Tons)

	Algeria	Tunisia	Morocco
Iron Ore	2,372,000	947,000	67,000
Manganese Ore	....	....	79,000
Cobalt Lead	4,500	9,800(a)	....
Zinc	7,900	2,300(b)	....
Antimony Ore	2,160	....	....
Pyrite	38,800	....	....
Diatomite (Kieselguhr)	13,000	....	....
Coal or Anthracite	14,200	....	107,000
Sodium Chlorate	63,000	146,000	....
Phosphate Rock	631,000	1,785,000	1,488,000

(a) 1936. (b) Zinc Ore.

Note: French Equatorial Africa produces little zinc tin and some gold; Madagascar's chief mineral products are excellent mica, graphite and some gold.

to the Mother Country's economy served in good stead after the 1940 collapse, not only to France, but even more to the Axis Powers. As in other conquered countries, so in North Africa, German purchasing agents honeycombed the countryside paying with the francs received by the conquerors at the rate of 300 millions per day in payment for the "cost of occupation."

In 1941 some 300,000 tons of vegetables, and grains were shipped from North Africa to Marseilles. In the Summer of 1942, about 850,000 tons of foodstuffs were sent to France, the Axis "rake-off" varying from 60 to 90 per cent, according to the Fighting French. In addition to food, Germany was also able to draw on North Africa for certain minerals. The most important was natural phosphate, of which North Africa normally supplies about one-third of the world output. It is said that the Continent will have to get along from now on with about one-fourth of its phosphate fertilizer requirements, and this is bound to be reflected in time in lower crop yields, especially in Italy which was the largest importer. The Germans also picked up in North Africa some high quality iron ore — about 400,000 tons in 1942, according to London—as well as some zinc, lead, copper, manganese, cobalt, molybdenum and antimony ores, the ferro-alloys being especially precious because of their acute shortage in the Reich.

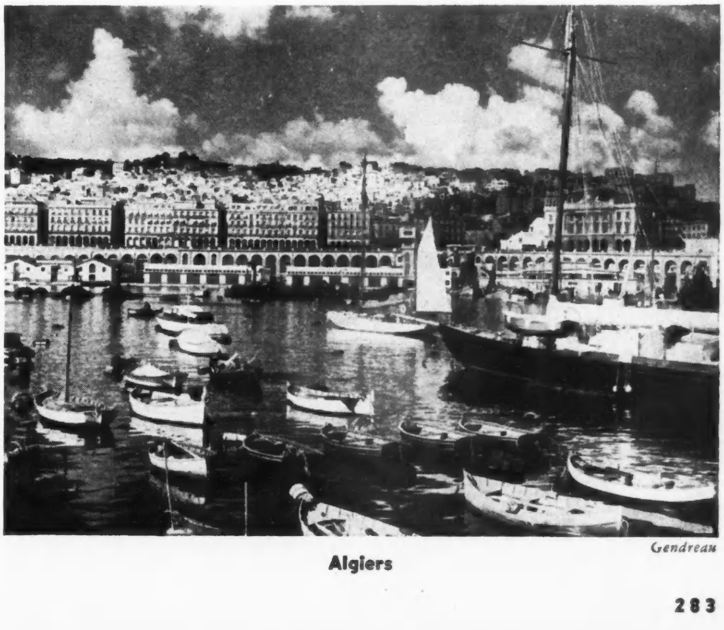
While North Africa was being drained of locally produced goods, scarcely any manufactured goods were imported in return. By the end of 1941 the stocks of tea, sugar, cotton goods and kerosene, all regarded as indispensable by the natives, were also practically exhausted. Moreover, there was very little fuel available to keep trains moving and bring mineral products down to the ports. Alcohol made from wine was used to supplement the dwindling supplies of gasoline for motor vehicles.

There was a plentiful supply of paper francs, though their purchasing power daily grew more problematical. Prices began to rise and at the same time unemployment was spreading. In the absence of goods, the natives were reported reluctant to work and harvest work in Morocco last year suffered from lack of labor. Retail trade which, especially in Morocco, was largely in the hands of Jews, was crippled following the enactment of anti-Jewish measures.

Effects of Nazi Looting

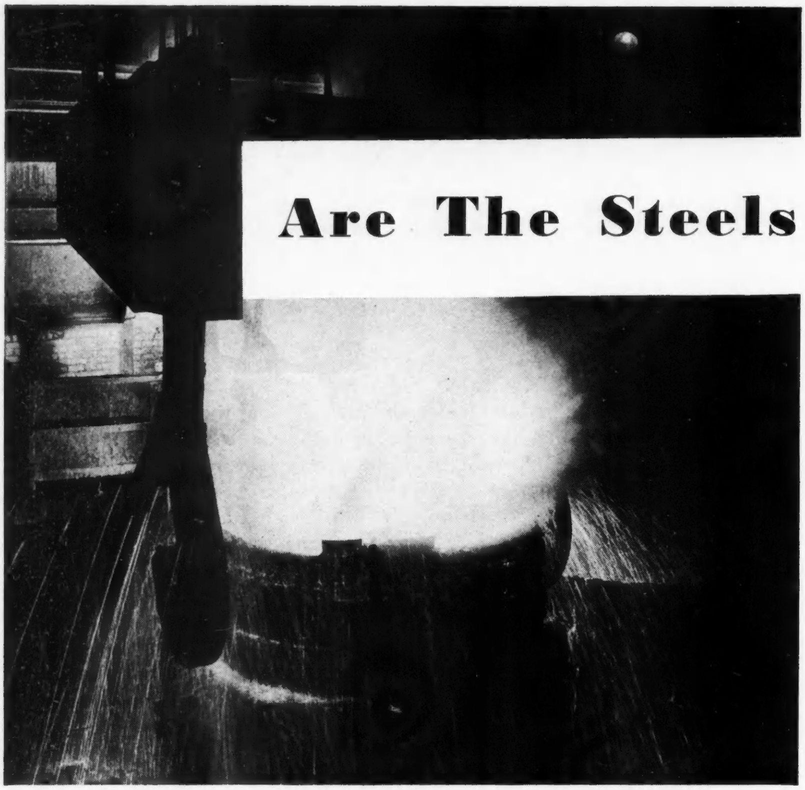
When the Anglo-American forces landed, economic deterioration in North Africa was evident everywhere. People had an abundance of paper francs and were apparently ready to buy the shirts off our soldiers backs. Among the first tasks of the occupation authorities will be to tide over North Africa until the next harvest, i.e. till the late Spring and early Summer. The most urgently needed goods —sugar, powdered and evaporated milk, green tea and cheese—will be shipped from the United States, under the lend-lease program. Considerable quantities of cotton textiles, new and used clothing and shoes are also to be sent by us. Cotton sheeting originally scheduled for January white sales has been requisitioned by the Army, and some of it undoubtedly will go to North Africa. Further reduction in the gasoline ration in the East is probably also in some way connected with the North African campaign, since large quantities of petroleum products will be required by the Army and the civilians there. We will also have to provide newsprint and a large number of chemical products.

The economic situation of French West Africa—a huge territory stretching eastward from the big "bulge" of Africa—is somewhat better. French West Africa, which is often referred to as a *Confederation of seven colonies* with (*Please turn to page* 308)



Gendreau

Algiers



Are The Steels Over-Sold?

BY ROGER CARLESON

The indifferent action of the steel stocks in recent sessions, which have been featured by contrasting strength in other quarters of the market, is arousing increasing interest among investors throughout the country. The point is raised in some circles that the steel shares have begun to discount the eventual restoration of peace, the implication being that, at prevailing market levels, these issues do not constitute suitable peace time holdings. Fairly brisk rally in these stocks during the past 10 days still leaves them at depression levels.

How tenable are such theories? Can they be substantiated by circumspect appraisal of the long-term prospects of the steel industry, or do they lack verisimilitude? The following study will endeavor to assess the operating outlook for this industry during the reconstruction period that will follow inevitable readjustment to a peace time economy.

It is an irrefutable fact that preponderance of steel-producing capacity in the United States is the greatest single industrial element that has tilted the scales of military power against the Axis. Moreover, aided by the considerable augmentation of plant facilities, production of steel, which already established a record of 7,584,000 tons in October, 1942, will, with the completion of facilities now under construction, approximate 8,250,000 tons monthly.

Possession of abnormal capacity is one thing, and the ability effectively to utilize such capacity is something else. The inordinately heavy demands placed upon the steel manufacturers by the pressure of war business had their sequel in the discovery that supplies of raw materials obtained from normal sources were insufficient for materially expanded production. The nation-wide steel scrap drive undertaken several months ago has been of tremendous benefit in helping to maintain operations at peak levels. Nevertheless, steel scrap inventories at the end of October, 1942, were well under those reported at the close of 1941. According to figures presented by the American Iron and Steel Institute, these scrap inventories aggregated 3,934,000 tons, equal to six weeks' supply, at the end of 1941. Although the scrap drive was greatly intensified during the summer months, productive operations rose so rapidly that the accumulation of steel scrap failed to keep pace, and declined to about 3,254,000 tons, or $3\frac{1}{2}$ weeks' supply, at the current rate of consumption, as of October 31, last. In this connection, the Institute observes that "the steel industry's stockpile of iron and steel scrap was increased by more than 1,400,000 tons between April 1 of this year and October 31. . . . No figures are available, however, to show how much of the incoming scrap is traceable to the drive."

New Ordnance Uses for Steel

While steel has traditionally been employed in the construction of heavy, basic ordnance equipment for modern warfare, such as gun barrels, projectiles and armor plate, it has been found feasible to extend the uses of steel for many smaller component parts, ranging from cartridge cases and bomb fuses to gun-sights, range-finders and bearings, without any sacrifice of military effectiveness or safety. The resultant conservation of aluminum and copper will, in the view of the Institute, free 180,000,000 pounds of primary aluminum for other vital war production jobs. While no comparable estimate of the savings in copper was furnished, it was stated that conversion from brass to steel in production of cartridge

cases will liberate 591,000,000 pounds of copper for more crucial necessities next year.

It is indubitable that the steel industry is doing a magnificent war time job, but it is the industry's role in the years following the cessation of hostilities with which many investors are concerned today. The end of the war will witness a productive capacity perhaps in excess of that now indicated by current expansion programs. For a considerable portion of such capacity there will doubtless be little economic need, and it is possible that many steel mills erected in new locations will suspend operations, unless they can be converted to other manufacturing purposes.

Evolution within industry has been greatly intensified under press of the national emergency, and the steel division has been no exception. As the president of the American Iron & Steel Institute observes, "the skill in producing low-alloy steels and alternate specifications for the more exacting requirements of the past will have brought evolutionary changes in the art and practice of steel-making which might not have come for a generation, if ever, under other circumstances. Whole groups of steels popular and prominent in the past may now find themselves permanently relegated to secondary place. . . . Potential pig iron capacity may no longer be able to count on depleted scrap supply. The merits of electric furnace versus open hearth grades of steel will have to be worked out. With a long war, what will be the consequences of greatly accelerated depletion of the highest grade ore deposits?"

Competition From Other Materials

In addition to these internal developments, the steel industry will be confronted with competition from other materials. The impetus given to the production of light metals, aluminum and magnesium, under the stress of war has been of significant proportions, and their commercial development will be intensified in future years. Plastics are being increasingly employed in the production of numerous articles in everyday use as substitutes for the steel needed for direct war production. Use of plastics, which, although synthetic, are not imitations of natural products, will be materially extended, because of their many advantages. Plywoods, with their lighter construction, have also proven a satisfactory substitute for steel for many purposes, and their utilization will probably increase.

Despite these prospective competitive inroads, however, there can be little question that the basic "heavy" industry will continue to be steel. Steel alone can be made in the quantities and at prices adequate for the scale of consumption that normal activity will require. It is evident, moreover, that the principal consuming industries, such as the automotive, construction, railroads and the oil divisions, will continue to provide the greatest outlets for steel in large volume.

Manifestly, steel will retain its dominating role in the nation's economy. It is appropriate, therefore, that we consider the status of various of the leading corporations in this industry, in an endeavor to assess their operating prospects under peace time conditions.

Price and Earnings Statistics for Leading Steels

Company	1935-1939 Range (Com.) High—Low	Recent Price (Com.)	Indicated Yield %	Est. 1942 Net (Com.) $
Allegheny—Ludlum	45⅝—13	19	10.5	2.75— 3.00
Bethlehem Steel	105½—21⅝	56	10.7	6.00— 6.50
Crucible Steel	81¾—14	34	5.9	12.00—14.00
Inland Steel	131¼—46¼	63	7.1	6.00— 6.50
Jones & Laughlin	126¼—17	20	10.0	5.50— 5.75
National Steel	99¼—40⅜	52	5.8	4.75— 5.00
Republic Steel	47¼— 9	15	6.7	2.25— 2.50
U. S. Steel	126½—27½	49	8.2	4.25— 4.75
Youngstown S. & T.	101⅞—13	31	6.5	5.00— 5.50

Acme Steel Co., is an important factor in the specialty steel field, whose products normally are used by makers of containers, of industrial and electrical equipment and of automobiles, with the latter absorbing about 50% of strip-mill output. Expanding markets for specialties, considered in connection with the company's excellent control of expenses, will be of considerable advantage in the post-war years. Allegheny-Ludlum Steel Corp. (which was comprehensively analyzed in our issue of Nov. 28, 1942) is devoting practically all of its operations to alloy and specialty steel items. Although competition in these departments will remain keen, the company's strong trade position, as well as its control of the new "Pluramelt" process (whose advantages are stated to be resistance to shock and to wear, and extreme hardness) should assure Allegheny its full quota of peace time business. A survey of American Rolling Mill appears elsewhere in this issue (see page 298).

Bethlehem Steel Corp., occupying second rank in size among the nation's steel makers, is favored to a considerable degree by its prominent position in the shipbuilding field. Con- (*Please turn to page* 316)

Ewing Galloway

Investment Information, Please

The Question:

Will There Be a Major Revival in Common Stock Investment and Speculation?

Editor's Note: As usual, the guest experts who hold the platform here are incognito. We do it that way so they will be uninhibited—so they will feel free to "take down their hair," unburden their souls and pull no punches as they throw the pros and cons.

The Case for the Affirmative by a Leading Investment Banker

I am certain that within the foreseeable future there surely *will* be a major revival of interest in common stocks as investments and speculations.

By "major revival" I do not mean a return of the exceptional speculative activity of 1928-1929. In its own way that was a phenomenon as abnormal as the famous Dutch tulip craze or other unusual speculative bubbles of history.

The popular impression is that the whole period 1923-1929 was one of excessive speculation. It wasn't. Eliminating 1928 and 1929, the fact is that Stock Exchange volume over the five years 1923-1927 averaged 402,763,000 shares per year. In 1936, which nobody considers was a phenomenally speculative year, it reached 496,046,000 shares or well above the average of 1923-1937 — despite all the New Deal restraints affecting market activity and price trends.

Stock Exchange volume this year figures to be not far from 125,000,000 shares, the smallest since

1914 and also less than in any year between 1900 and 1912. This is just as abnormal an extreme of inactivity as was the opposite extreme in 1928-1929.

No one can predict the maximum level of public interest in common stocks in the future—but certainly a convincing case can be made for a return to the not immoderate activity of 1936-1937 or that of 1923-1927; and I would call that a "major revival."

Right here I will anticipate one of the objections to this line of reasoning that my opponent in this debate probably will raise. He can point out that the total number of shares listed on the Exchange is now considerably more than double what it was in 1923-1927; and that therefore, in ratio to listed shares, a market volume equal to the average of 1923-1927 would actually reflect an investment and speculative interest less than half that of 1923-1937.

The contention is largely immaterial. The relation between volume of listings and volume of purchases and sales is limited. In the main, increased listings do little more than provide investors and speculators with a wider range of choice among individual securities. For example, would more money be bet on the Kentucky Derby if 10 horses ran than if 6 ran? The answer is no.

Here are my reasons for believing a major revival of investment and speculation in common stocks lies ahead:

(1) Rising public confidence not only in victory but in the finish of the war at a not too distant date.

(2) Restored confidence in the social and political institutions of America, and in the place of private enterprise in our scheme of things. Political reaction against the one-sided New Deal has already set in strongly. This country is moving *toward* the Right and certainly will at least arrive at the middle of the road. Those who talk of the threat of Socialism are seeing things under the bed.

(3) Among intelligent people fear of a post-war depression has been put aside. On the foundation of accumulated consumer purchasing power and great deferred needs for goods there will be a protracted period of high business activity.

(4) Our participation in world relief and reconstruction will mean a large volume of exports for some years after the war. However this is financed, it means added volume for American industry.

(5) Our industries will be more efficient and more productive than ever before. As a result of new inventions, new materials and new manufacturing methods, our mass markets for improved lower-cost goods will be stimulated enormously.

(6) An important portion of the consumer savings now going into war bonds will not be spent for consumption needs after the war but will shift to investment in corporate securities for more lucrative yield and for capital gain. The same thing happened after the last war and caused millions of people to invest in common stocks for the first time.

(7) The revised capital gains tax and the numerous "cushions" inserted in the last corporate tax legislation show a most significant inclination of Congress to provide an adequate incentive for risk-taking capital investment. In this respect the pendulum is definitely swinging back in behalf of private enterprise and normal speculation, and it will move still further in the same direction from here on.

(8) I don't see how development of a rather strong "inflation psychology" among investors and speculators can be avoided in view of the prospect of an unprecedented Federal debt, an unpredictable further rise in the cost of living during the war and a great economic boom after the war.

That is my case. I don't say a large scale revival of investment and speculation in common stocks is imminent. On the other hand, it will not await the actual end of the war. The beginnings of it may well be seen within the next year, if events support anticipation of German defeat any time before the 1944 election. Can Hitler's back be broken in 22 months or less? I think most military authorities would say this is not fanciful but better than an event bet.

The Case for the Negative by a Prominent Investment Counselor

Governmental influences took command of the stock market in 1933; and despite countermovements which at times obscure the underlying reality, the main trend of market volume—which assuredly is a perfect measure of the interest of investors and speculators in equities—has been downward ever since. During part of 1933 there was a quite sharp but temporary revival in speculative interest, aided by mistaken notions of "inflation." Professionals and insiders were active—in their last fling; S E C regulation had not yet been clamped on; and New Deal liquidation of the rich by an increasing tax squeeze was still to come. It was no happenstance that the highest activity of the bull market years 1936-1937 was far under that of 1933, despite a tremendous interim increase in business activity and corporate earnings.

I grant you that a major revival of demand for common stocks by speculators and investors will some day be possible—provided favorable conditions come into being. What are the required conditions? They include termination of the war; replacement of the New Deal by a government more favorable to Capital; broad easement of taxes on the well-to-do and the upper middle classes; sufficient modifica-

tion of S E C regulatory reform to restore some semblance of speculative leadership by insiders and larger professional traders.

On balance, the rich have been forced to liquidate common stock holdings year after year, and this is still going on—as witness the large and continuing "special offerings" of big blocks of stocks. Who buys these stocks? Large numbers of smaller investors—mainly "middle class" investors—and they do not initiate the transactions. They have to be "sold." Once "sold," they just "sit with" their purchase. This kind of stimulated demand is no foundation for real activity in speculation and investment. Today it is a "middle class" market. Periodically there is enough demand to lift prices substantially and raise volume to 800,000 or 900,000 shares a day—even to 1,000,000 or a bit more on occasions of transient excitement. But there is no continuity to it. After these spurts, prices and volume settle down into an apathetic groove for months at a time—until something else happens to give another temporary spur to "middle class" investor decisions to buy or sell.

A Poor Man's Market?

Also the tax squeeze that put the rich on the liquidating side is now progressively hitting the middle classes, and there is no doubt more of this to come before the war is over. Obviously, war bonds have, and will continue to have, first call on the idle cash and current savings of all classes—the rich, the middle class and the lower-income groups. Aside from availability of funds, there is the fact that only a minority of middle-class savers are common stock minded. The bulk of the great increase in national income has gone and is going into the hands of industrial workers and farmers. With investment and speculative initiative already transferred from the rich, the insiders and the professionals to the middle class amateurs—and with the middle class now lined up for the tax collector's ax—what happens next? Is it going to become a "poor man's" market? In my opinion, the commissions on the common stock transactions that might be initiated by the new aristocracy of labor and the farmers would not support one medium-size brokerage firm.

Who knows how long the war will last? It may readily last long enough to make the re-election of Roosevelt—or the election of a New Deal Roosevelt nominee—a better than even bet; and that would defer any hope of a Republican promised land of conservatism to 1948. Furthermore, the basic trend toward socialization and Government-management of industry and finance is clear-cut and so deep seated that it is fatuous to suppose it would be wiped out by a mere change of the party label attaching to the majority faction at Washington. What was the philosophical basis of the paradoxical Willkie campaign two years ago? A promise to the masses of New Deal voters to carry on the New Deal—better than Roosevelt could do; and a promise to anti-New Deal voters to create conditions under which private enterprise and rugged individualism would flourish!

Certainly at this relatively great distance, I would not bet a nickel on the 1944 election of any conservative Republican nominee. The few opposition leaders who seem to have the required amount of political sex appeal look to me pretty much like Republican New Dealers. If we put a Republican New Dealer in the White House, do you think the trend to State management will be ended? Do you think income taxes on the rich and upper middle classes will be substantially eased? Do you think the labor unions and the farm pressure organizations will be told where to get off? Do you think the market-restrictive S E C reforms will be repealed? If you do, I admire your never-say-die optimism but I don't share it.

Some people in Wall Street are wistfully eyeing the billions going into war bonds and basing their long range hopes on the thought that some day after the war a big part of that money will come out of those bonds and go into common stocks. I doubt it very much, because the circumstances that caused this kind of shift in security holdings of individuals after the last war are very unlikely to be repeated. Let us look at those circumstances. In the first place—and this was decisive—it was not a voluntary exodus from Liberty bonds. Before the end of fiscal year 1919 the Government had begun to retire its bonds by paying off the debt. By the middle of 1924, when the greatest of all bull markets started, it had paid off over $4,000,000,000 of debt. It continued year after year to feed that bull market by paying off debt. Since the Government was redeeming its bonds rather than issuing additional bonds, on balance there was no place for billions of cash thus released to go except into corporate securities. In the second place, the Wilson reform administration had been swept out of office; and the succeeding Harding, Coolidge and Hoover administrations were not only all that any "conservative" could hope for but also were either positively or tacitly favorable to the conditions and the rules of the game under which an absolutely unprecedented stock market speculation was permitted to develop.

Financing a Bull Market

I doubt exceedingly that there is going to be any significant reduction of the Federal debt after this war. The idea now being popularized is that we merely have to carry the debt by paying the interest, and that since we pay the interest to ourselves it really costs us nothing! The "modern" thought is that reducing the debt not only is unnecessary but would be deflationary and therefore bad. Besides, do you think there will not be big post-war handouts to the farmers, to the unemployed? Do you think we can dodge countless billions for "social security" and for public works to "prime the pump"? I don't.

Under such circumstances, investors this time are not going to be "pushed (*Please turn to page* 312)

Our Biggest Single Feature of The Year —

★★★★ 10 Stock Market Leaders For 1943

—Selected by Our Analytical Staff

The great shifts in our economy taking place today are producing unusual opportunities for capital appreciation. To enable you to take advantage of this situation, our experts will present for your consideration a selected list of securities which we believe will be among the market leaders for 1943—which, in our opinion, should make sizable percentage gains.

These issues have been selected after thorough study and careful research. They will all represent companies which we believe will be best situated to benefit in the year ahead.

And the recommendations, in accordance with our policy, are based on the intrinsic value of the stock — viz., strategic position in today's economy — management — secure financial condition; with technical market strength determining buying point.

Continuing . . . Our New Service

As the market in 1943 will continue to be selective, our service will be extended to these recommendations — so that you will be kept currently informed through The Magazine of Wall Street of the opportune time to buy these securities and when to sell them to realize the greatest profits.

C. G. Wyckoff
PUBLISHER

Another Outstanding Feature

Which Industries Offer Best Prospects For 1943

--In War --Looking Toward Peace

Part I — *Projecting Basic Forces for 1943 (Dec. 26)*

Realistic survey forecast of forces dominating industry and business today. Projects further rise and shifts in war output; standardization and decline in civilian goods; commodity controls; taxes; forced savings; with valuable graphic interpretations.

Part II — *Prospects for Specific Industries —*

Sifting and digesting the above, our analysts will weigh influences on individual industries. In arriving at practical conclusions, Part II will answer such questions as:

—*Which industries will maintain their position in war — can readily adjust to peace?*

—*Which industries in war boom have poor peace prospects? — which now restricted will revive under peace?*

—*Which industries soundest for investment — for speculation — short term — longer term?*

—*What is situation and outlook for:*

--Rails	--Building	--Steels
--Oils	--Metals	--Machinery
--Motors	--Chemicals	--Merchandising
--Tobaccos	--Movies	--Aircrafts

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By A. T. Miller, Investment Authority

Vital forces are at work laying the base for more dynamic markets — and materially higher prices for selected securities. The time for a balance sheet of your investment account is at hand. This timely study weighs the trend of security prices on a background of today's changing economy. It tells you how to diversify for protection — for profit — where prospects have already been discounted — where too low — what to hold — what to buy.

Political and Economic Trends . . . In The Making

Shape of Post-War Private Enterprise

By Laurence Stern, Managing Editor

This article deals with the poli... struggle for survival of free enter... against the forces of Fascist and Com... nist totalitarianism in this country... thought-provoking story, it takes up... tical leadership, both domestic and fo... and the new trends in economics... and industry.

Are- Cyclical Stocks Undervalued? Stable Income Stocks Overv...

By L. O. Hooper

For many years investors have been paying... market values for stable income stocks w... stocks have sold at a much lower price-e... But is the situation changing and the gap... stantially narrowed? This penetrating art... important developments which may bring... vision in your investment policy. Num... illustrations are cited for your guidance.

Preview

Ahead -- New Industrial Horizons

By Ward Gates

PART I — Lightweight and Powdered Metals, Plywood, Electronics, Transportation . . . in December 26th Issue

PART II — Chemicals, Rubber, Oils, Plastics, Synthetics . . . in January 9th Issue

Kaleidoscopic changes—evolved 20 years in advance of our time as a result of war necessities—are bringing changes in manufacturing methods and processes that will produce amazingly new and different manufactured products. This article will tell you of the revolutionary advances in materials and fabrication in this new age.

Supplemented By

Today's Investment Outlook for Chemical Stocks

By Robert P. Edwards

The comprehensive and timely survey of the chemical industry under war and peace will be followed by a carefully weighed breakdown of the investment position of the individual companies. The varied status of each company will be clearly presented from investment and speculative standpoints, depending upon future prospects — management — financial position — and static or growth possibilities.

Changing Economic Status of the Far East

By V. L. Horoth, Int'l. Economist

Loss of markets due to manufacture of substitutes, increased manufacturing capacity resulting from war necessity, demands for political equality for the seething millions will revive and revitalize the hitherto backward and exploited FarEast. Mr. Horoth gives you a picture of the outcome to be expected from the clash between the established powers and mass leaders . . . the economic and political compromises likely to result from those in power and those seeking power.

Timely Security Appraisals

Is Sears-Roebuck Overpriced?

By George W. Mathis

Selling almost 50% above its low for the year, has Sears discounted its earnings and dividend position at this time? Or is it going lower? This thorough article weighs sales trends, dollar volume, profit margins, inventories and goods to be available next year. It also covers any sustaining factor which may be offered by possible Government business.

Another Look At and What's Ahead for These Stocks:

—United Drug
—Remington Rand
—Inspiration Copper
—J. C. Penney
—Oliver Farm Equip.

Special Appraisals in Answers to Inquiries on:

—Douglas Aircraft
—Amer. Sugar Refining
—Lehn & Fink
—B. F. Goodrich
—Endicott Johnson

A Different Batch in Every Issue —To Keep You Posted on Your Holdings and All Listed Securities

Stockholders' Forum

Securities Disturbing Investors

By J. S. Williams

Stockholders are becoming more militant . . . as shown by our voluminous correspondence. We are glad to present their views in this meeting place. In this issue, we run several representative letters on today's investment status, policy of management, etc. of various companies . . . situations causing concern. Our accompanying comment will be of vast interest.

Inside Washington

Frequently ahead of the news . . . centered on needs of businessmen and investors . . . our Washington Letter can be of greater value to you than many other services which alone cost more than The Magazine of Wall Street.

See Next Page

And—

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Re-Appraisals of Earnings and Dividend Forecasts

In Issues of January 23, February 6, February 20, and March 6

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1. **Position of Each Industry Under Total War and in the Peace To Come**
2. **Earnings and Dividends and Market Appraisals for All Leading Companies**
3. **Selected Securities . . . for Investment . . . for Speculation**

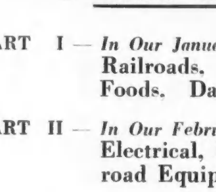
PART I — *In Our January 23rd Issue — Covers:* Railroads, Utilities, Tobaccos, Foods, Dairy, Packers, Sugars

PART II — *In Our February 6th Issue — Covers:* Electrical, Business, Farm, Railroad Equipments, Machinery

PART III — *In Our February 20th Issue — Covers:* Steels, Building, Metals, Liquors, Mail Order, Merchandising

PART IV — *In Our March 6th Issue — Covers:* Aircrafts, Oils, Chemicals, Movies, Tires, Motor Accessories

If you hold securities — if you have capital to invest — you should consult all four of these important issues. Check your holdings against our recommendations and make sure you have the securities in the best position.



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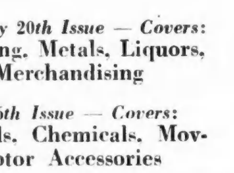

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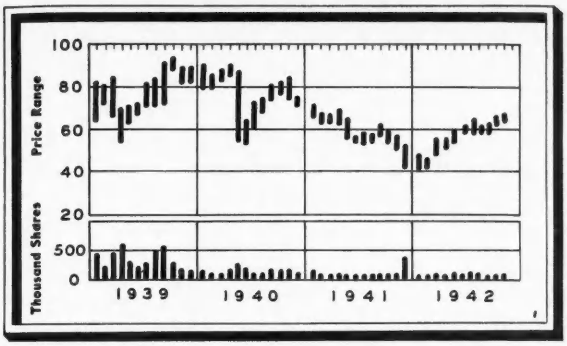
Six Stocks With Good Peace Prospects

CHRYSLER CORP.



BUSINESS: This company ranks second among American automobile maufacturers. The four passenger car models, produced in peace-time, include the low-priced Plymouth, and the more expensive Dodge, DeSoto and Chrysler cars. The company operates 16 domestic plants, including assembly units, most of these being in the Detroit area. Foreign factories are also owned and distribution, under normal conditions, is world-wide in scope. In 1941, Chrysler entered the commercial refrigeration field with its "Airtemp" air-conditioning equipment. Late last year, the company developed special heating equipment for defense housing projects. War activities, engrossing virtually all of output, include production of tanks, trucks, aircraft parts and munitions. Moreover, a new "in-line" liquid-cooled airplane motor has been developed.

FINANCIAL POSITION: Sept. 30, 1942, balance sheet showed excellent financial status. Current assets totaled $245,754,000. Of these, cash amounted to $95,062,000 (including $32,700,000 to be used only for Government contracts), while receivables of $75,043,000, included amount of $71,690,000 due from the U. S. Government. Current liabilities of $110,260,000 included advances of $60,457,000 on Government contracts. Capital stock consisted of 4,351,132 shares of $5 par value. There was no funded debt outstanding. Company has arranged a revolving credit of $100,000,000, over a five-year period to end in 1947 for financing of war work. Dividends have been paid in every year since 1926. With a payment of $0.75 on Dec. 14, distribution for 1942 totaled $3.50 per share.

OUTLOOK: Armament orders will keep plants fully occupied for war period, offsetting loss of normal automotive business. Company enjoys able management and engineering organization, and should obtain the customary large proportion of the tremendous automobile business which will be available upon the restoration of normal economic and political conditions throughout the world. Steadily increasing revenues should also be secured from newer lines developed in recent years. Minimum quarterly payments of $0.75 are anticipated, with good possibility of higher basis over the pull.

MARKET ACTION:	Chryser Corp.	Market Average	Chrysler's moves in relation to average
'40 high to '41 low..........	32% decline	23% decline	39% wider
'41 low to '41 high..........	1% decline	23% advance	....
'41 high to '42 low..........	8% decline	27% decline	70% narrower
'42 low to '42 high..........	28% advance	33% advance	15% narrower

Average volatility: 16% narrower on declines, than M. W. S. index. Advance in the past four months has been slightly in excess of that of the industrial stock averages.

COMMENT: Recent price—65. Completion of conversion to war basis should be followed by recovery in earnings over near-term.

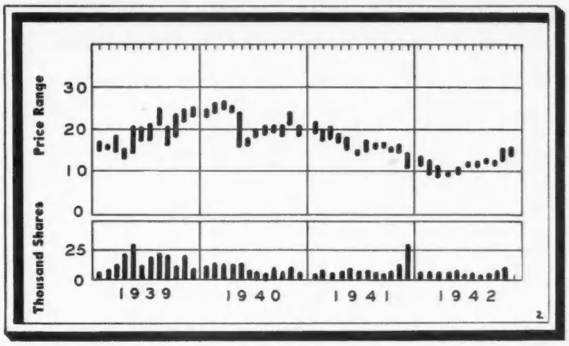
Long-Term Record

Year	Net Sales (millions)	Net Income (millions)	Net Per Share	Dividends	Price Range
1934......................	$362.255	$9.535	$2.19	$1.25	60 3/8-29 1/4
1935......................	516.830	34.976	8.07	2.00	93 7/8-31
1936......................	667.138	62.111	14.25	12.00	138 3/4-85 1/2
1937......................	769.808	50.729	11.66	10.00	135 1/4-46 1/8
1938......................	413.251	18.798	4.32	2.00	88 1/2-35 3/8
1939......................	549.806	36.880	8.48	5.00	94 3/8-53 5/8
1940......................	744.561	37.802	8.69	5.50	91 5/8-53 1/2
1941......................	888.366	40.114	9.22	6.00	62 7/8-43 7/8
1942 (9 mos. Sept.)	423.622	14.503	3.33	*3.50	*67 3/4-43 7/8
1941 (9 mos. Sept.)	665,526	29.461	6.77	....	....

*—To date.

Thumbnail Stock Appraisal

COLUMBIA BROADCASTING SYSTEM, INC.



BUSINESS: Company operates one of the two major radio broadcasting chains in this country, the network including 121 stations, of which 8 are owned. Columbia is exceeded in scope of its activities only by the National Broadcasting Co. "WABC", New York City, is the key station of the system. Other activities embrace management and booking of performers and artists for radio broadcasting and otherwise. About 90% of gross revenues is derived from sale of broadcasting time. Other income is obtained from manufacture and sale of records through a subsidiary, the Columbia Recording Corp. In 1940, the company developed a system of color television. The New York television transmitter will be supplemented by additional stations in Chicago and Los Angeles.

FINANCIAL POSITION: An unusually strong financial position was revealed by the balance sheet dated Jan. 3, 1942. Current assets of $12,445,000, including cash of $6,638,000, were 2.66 times current liabilities of $4,672,000. Long-term debt amounted to only $697,100. Outstanding capital stock consisted of 957,353 shares of Class "A" and 758,924 shares of Class "B," both of $2.50 par value. Privileges of the two classes are identical, except that holders of Class "A," voting separately, have the right to elect one-half of total number of directors. Dividends have been paid annually since 1931. Including a year-end payment of $0.60 per share on Dec. 4, total 1942 distributions were $1.50 per share.

OUTLOOK: Large increase in costs and drop in "other income," rather than higher taxes, were responsible for interim earnings decline. However, billings for radio time sold are understood to be running ahead of a year ago. Consumer demand for phonograph records is also holding at high levels. In post-war period, further development of television will add considerably to the company's revenue sources. Strong financial position should preclude necessity of borrowing for future expansion. Regular $0.30 dividend basis, plus occasional extras, will probably be maintained in future months.

MARKET ACTION:	Columbia Broadcasting	Market Average	Columbia's moves in relation to average
'40 high to '41 low..........	25% decline	23% decline	9% wider
'41 low to '41 high..........	7% decline	23% advance	....
'41 high to '42 low..........	47% decline	27% decline	74% wider
'42 low to '42 high..........	80% advance	33% advance	142% wider

Average volatility: 42% wider on declines, than M. W. S. index. Proportionate rise since early August has been more extensive than in the case of the industrial stock averages.

COMMENT: Recent price—14. Extension of activities into new fields will materially strengthen company's position in the broadcasting industry.

Long-Term Record

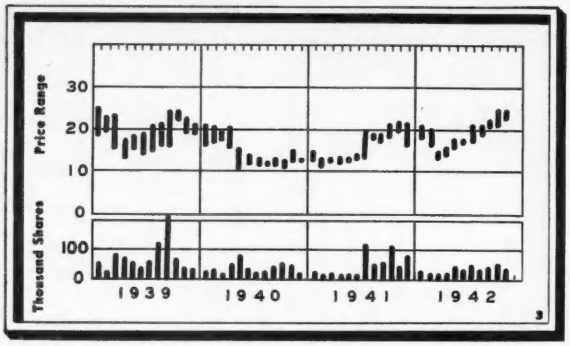
Year	Gross Income (millions)	Net Income (millions)	Net Per Share(a)	Dividends	Price Range(b)
1935......................	$21.417	$2.810	$1.65	$1.30	24 1/8-11 1/2
1936......................	27.780	3.756	2.21	1.65	30 1/4-22 1/2
1937......................	34.240	4.298	2.52	1.95	32 -16 3/4
1938......................	32.663	3.542	2.07	1.25	22 3/4-13 1/2
1939......................	42.845	5.002	2.93	1.50	25 3/8-14
1940......................	50.912	5.007	2.92	2.00	26 3/8-16
1941......................	59.456	4.805	2.80	2.00	21 3/4-11
1942 (39 wks. Oct. 3)	45.294	2.894	1.69	*1.50	*15 3/4- 8 1/2
1941 (40 wks. Oct. 4)	44.050	3.815	2.22	....	....

(a)—Adjusted for 2-for-1 split in 1937. (b) Class "A." *—To date.

Thumbnail Stock Appraisal

Six Stocks With Good Peace Prospects

GOODRICH (B. F.) CO.



BUSINESS: Company ranks fourth among the nation's rubber manufacturers, but output is probably the most diversified. Normally, about 60% of revenues is obtained from sale of tires and tubes, and the remainder from mechanical rubber goods and footwear. Original equipment and replacement sales are about equal in proportion. General Motors has been the largest peace-time customer. Plants at Akron, Ohio, account for about 70% of tire output; other tire plants are located at Oaks, Pa., and Los Angeles. Company owns one-half interest in Hydrocarbon Chemical & Rubber Co., largest American producer of butadiene. Company also began production recently at a new synthetic rubber plant in Kentucky. Nearly all manufacturing facilities are devoted to military supplies output.

FINANCIAL POSITION: June 30, 1942, balance sheet exhibited a strong current position. Current assets of $99,880,000 included cash of $14,551,000, while inventories amounted to $55,099,000. Current liabilities of $27,914,000 included Federal tax reserve of $10,231,000. Outstanding capitalization consisted of $23,279,000 first 4¼s, of 1956; $5,000,000 first 3s, of 1956; 412,031 shares of $5 cumulative no-par preferred (callable at 100); and 1,303,255 shares of no-par common stock. Outstanding, also, were $7,857,000 long-term bank loans. Dividends have been paid at irregular intervals over the past decade. Distributions this year were $0.50 each paid Sept. 15 and Dec. 22.

OUTLOOK: In addition to production of materials for war purposes, company will operate, on a fee basis, a $35,000,000 Government-owned shell-loading plant. Overall output will continue at high levels. Lines developed in recent years doubtless add considerably to post-war revenues, while company's synthetic rubber activities are expected to make Goodrich one of the more important factors in this division. Long-term prospects are further favored by tremendous potential demand for motor vehicles of every description. Further reduction of bank loans may be followed by adoption of a more liberal dividend policy.

MARKET ACTION:	Goodrich Company	Market Average	Goodrich's moves in relation to aver.
'40 high to '41 low..........	20% decline	23% decline	14% narrower
'41 low to '41 high..........	61% advance	23% advance	165% wider
'41 high to '42 low..........	31% decline	27% decline	15% wider
'42 low to '42 high..........	92% advance	33% advance	179% wider

Average volatility on four moves: 1% wider on declines; 172% wider on advances, than M. W. S. index. Ratio of market recovery in past few months has been several times that of the industrial stock averages.

COMMENT: Recent price—25. Probably the most diversified of all the rubber companies, with peace-time output comprising more than 32,000 separate articles.

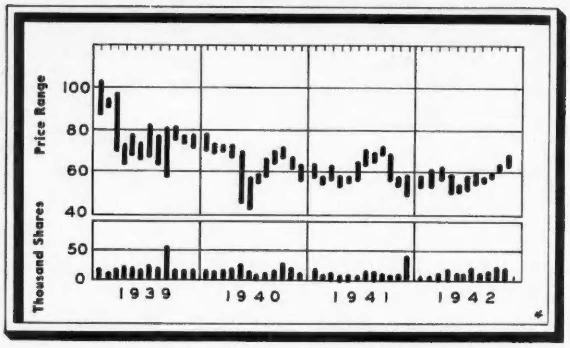
Long-Term Record

Year	Net Sales (millions)	Net Income (millions)	‡ Net Per Sh. (Com.)	Dividends	Price Range
1934	$103.872	$2.586	$0.36	....	18 - 8
1935	118.669	3.321	1.05	....	14½- 7½
1936	141.097	6.723	4.04	1.00	35½-13⅝
1937	149.972	d1.472	d2.26	1.00	50½-12¾
1938	115.038	1.764	0.14	....	26⅞-10
1939	135.736	6.664	3.51	1.00	24¾-13½
1940	145.354	6.110	3.12	0.50	20¾-10
1941	211.455	8.608	5.02	2.00	21⅞-11½
1942 (6 mos. June)	103.284	1.292	1.59	*1.00	*25¾-13
1941 (6 mos. June)	98.005	6.646	4.31	....	....

‡—After inventory write-down; also reflects exchange of old preferred for new preferred and common in 1936. d—Deficit. *—To date.

Thumbnail Stock Appraisal

JOHNS-MANVILLE CORP.



BUSINESS: This concern is the leading American manufacturer of asbestos products, and also makes a wide variety of articles from materials such as asphalt, magnesia, limestone, etc. Products are used in various phases of building, as well as by the railroads, public utilities, and in many divisions of industry. Over 1,300 items are widely distributed nationally and internationally during normal times. The building industry accounts for over 60% of sales. Asbestos mines have an estimated life of over 50 years. Quarries are located in Arizona and Quebec; while plants are situated in 11 states and in Quebec.

FINANCIAL POSITION: Latest balance sheet, as of Dec. 31, 1941, disclosed a sound current position, with current assets of $37,918,000, including cash and U. S. Govt. tax notes of $12,327,000. Provision for Federal taxes, in the amount of $10,385,000, was the chief item in the current liabilities of $15,880,000. Capitalization consisted of 25,000 shares of 7% cumulative preferred stock, of $100 par value (callable at 120), and 850,000 shares of no-par common stock. There was no funded or floating debt, and earned surplus totaled $13,979,000. Since formation of the present corporation in 1927, dividends on the common have been paid in every year except 1933 and 1934. Latest distribution was $0.50 on Dec. 24, bringing payments for 1942 to $2.25 per share.

OUTLOOK: The company's dominating position in its field, considered in connection with frequent introduction of new lines, assures full participation in the vast rehabilitation and reconstruction, as well as new construction, that will be undertaken after the war ends. Ownership of most raw material sources will also aid in controlling unit costs of production, with resultant benefit to profit margins. Present dividend basis can be easily maintained, with near-term earnings outlook suggesting possibility of upward revision of dividend rate some time in 1943.

MARKET ACTION:	Johns-Manville	Market Average	Johns-Man. moves in relation to aver.
'40 high to '41 low..........	16% decline	23% decline	30% narrower
'41 low to '41 high..........	21% advance	23% advance	9% narrower
'41 high to '42 low..........	23% decline	27% decline	15% narrower
'42 low to '42 high..........	29% advance	33% advance	12% narrower

Average volatility on four moves: 22% narrower on declines; 11% narrower on advances, than M. W. S. index. Advance in recent months has measurably exceeded that of the industrial stock averages.

COMMENT: Recent price—71. Sales for 1942 expected to reach an all-time maximum. About 80% of output understood to be consumed in some phase of war effort.

Long-Term Record

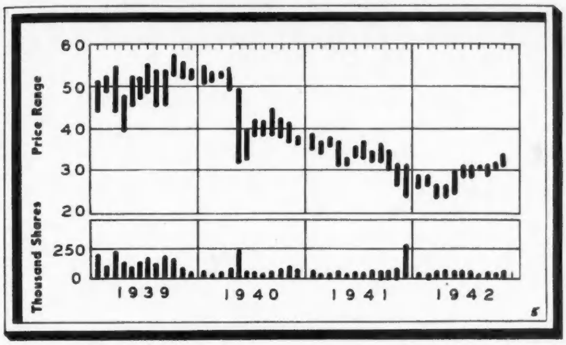
Year	Net Sales (millions)	Net Income (millions)	Net Per Sh. (Com.)	Dividends	Price Range
1934	$27.300	$0.694	$0.22	....	66⅜-39
1935	34.647	2.152	2.17	0.50	99½-38½
1936	48.922	4.374	5.13	4.25	152 -88
1937	60.173	5.452	5.80	4.75	155 -65½
1938	52.048	4.233	4.24	2.75	105 -59
1939	52.048	4.223	4.24	2.75	105 -59
1940	61.761	5.882	6.35	2.75	77½-44
1941	92.852	5.967	6.66	3.00	71⅞-49⅞
1942 (9 mos. Sept.)	76.829	2.885	3.24	*2.25	*71½-50½
1941 (9 mos. Sept.)	64.754	4.489	4.97	....	....

*—To date.

Thumbnail Stock Appraisal

Six Stocks With Good Peace Prospects

MONTGOMERY WARD & CO.



BUSINESS: This concern ranks second among the great American mail order enterprises, and is also one of the larger retail distributors. Approximately 650 stores are operated, these being located in every State except Delaware. Merchandise featured by these stores consists largely of apparel, radios, household equipment and furnishings, sporting goods, hardware, auto accessories and tires. Many of these retail units are located in the smaller centers, although expansion in the past few years has been principally in the bigger cities. The company maintains about 200 catalogue mail order offices, where orders are placed for shipment from the nine mail order houses. Ward also operates four factories as partial supply sources.

FINANCIAL POSITION: July 31, 1942, balance sheet shows a strong inventory position, these totaling $184,569,000, out of total current assets of $263,132,000. Current liabilities of $77,418,000 included Federal income and excess profits taxes of $30,732,000. Inventory position was materially improved from the $123,103,000 reported at the end of the fiscal year ended Jan. 31, 1942. Capitalization consisted of 201,554 shares of $7 cumulative, no-par, Class "A" stock, (non-callable), and 5,217,147 shares of no-par common stock. Cash holdings on July 31, last, were $12,811,500. Dividends on the common were resumed in 1936 and have since been continued annually. Payments for 1942 amounted to $2.00 per share, with latest declared distribution being $0.50 per share for Jan. 15, 1943.

OUTLOOK: Despite strong inventory position, scarcities in many lines, such as refrigerators, radios, stoves and tires, will impede wartime sales progress. Restoration of normal condition will be accompanied by resumption of heavy purchases of the company's widely diversified lines of goods—believed to approximate 130,000 separate items. Meanwhile, interim earnings should continue to be reasonably satisfactory. Maintenance of the existing $0.50 common dividend basis is anticipated.

MARKET ACTION:	Montgomery Ward	Market Average	Mont'ry's moves in relation to aver.
'40 high to '41 low..........	20% decline	23% decline	13% narrower
'41 low to '41 high..........	6% advance	23% advance	74% narrower
'41 high to '42 low..........	30% decline	27% decline	11% wider
'42 low to '42 high..........	34% advance	33% advance	3% wider

Average volatility on four moves: 1% narrower on declines; 36% narrower on advances, than M. W. S. index. Over the past few months, stock has risen at a greater rate than have the industrial stock averages.

COMMENT: Capable management, sound merchanding policies and excellent customer good-will status augur well for company's progress in the post-war era.

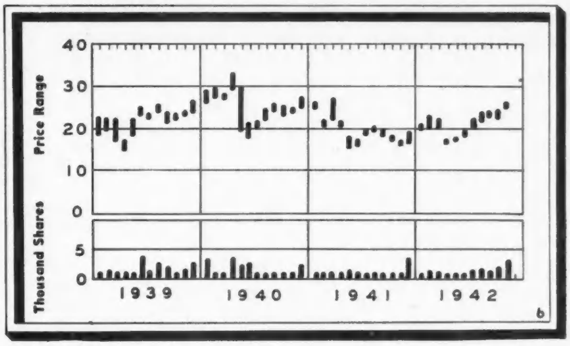
Long-Term Record

‡ Year	Net Sales (millions)	Net Income (millions)	Net Per Sh. (Com.)	Dividends (a)	Price Range
1935....................	$249.806	$9.161	$1.72	....	40⅞-21¾
1936....................	293.042	13.527	2.65	$0.60	68 -35¾
1937....................	361.297	20.199	3.63	4.90	69 -30
1938....................	414.091	19.210	3.41	1.50	54¼-25
1939....................	413.962	19.645	3.50	1.25	57¾-40⅛
1940....................	474.882	27.011	4.91	2.75	56 -31¾
1941....................	515.911	23.028	4.14	2.00	39½-24¼
1942....................	632.709	22.354	4.01	2.00	*34½-23½
1942 (9 mos. Oct.)	NA	15.025	2.68	....	....
1941 (9 mos. Oct.)	NA	13.931	2.47	....	....

‡—Fiscal year ended Jan. 31. NA—Not available. *—To date. (a)—Paid in calendar year.

Thumbnail Stock Appraisal

OUTBOARD, MARINE & MFG. CO.



BUSINESS: This is the largest maker of outboard motors, including models varying from one-cylinder, one-half horsepower, to four-cylinder 33-horsepower, these being sold under the trade names "Elto," "Evinrude," and "Johnson Sea Horse." Other peace-time products include commercial refrigerating units, engine driven pumps and a variety of industrial engines; also small engine-driven generators, space coolers, power mowers and bicycle motors. Refrigerator motor plant capacity has been converted to manufacture of war products, principally aircraft engines and parts. Conversion of other manufacturing facilities to war production is understood to be practically completed. Considerable investments have been made in tools and in the development of a die-casting department.

FINANCIAL POSITION: Capital structure is simple, consisting of 297,144 shares of $5 par common stock. According to the balance sheet dated Sept. 30, 1942, finances were in satisfactory condition. Total current assets included cash of $3,491,000 and marketable securities of $368,000, and aggregated $10,476,000. Current liabilities amounted to $7,130,000, and included notes payable to banks (under revolving credit agreement) in the total of $4,000,000. Earned surplus was $2,869,000, while net working capital amounted to $3,346,000. The company was incorporated late in 1936. Beginning with 1937, dividends have been paid in each succeeding year. Latest payment was $0.75 on Nov. 20 bringing year's total to $2.25 per share.

OUTLOOK: As practically all facilities have been converted to output of war materials, sharp recovery in sales is indicated over ensuing months. Operations will continue at high levels for the duration, and the earnings recovery that began in the March, 1942, quarter will probably be extended. Substantial peace-time demand for the company's numerous products should sustain operations when war business ceases. Company has pursued a fairly liberal dividend policy since organization, and the strong financial status suggests continuance of generous distributions on the common shares.

MARKET ACTION:	Outboard Marine	Market Average	Outboard's moves in relation to aver.
'40 high to '41 low..........	20% decline	23% decline	13% narrower
'41 low to '41 high..........	5% advance	23% advance	78% narrower
'41 high to '42 low..........	5% decline	27% decline	81% narrower
'42 low to '42 high..........	32% advance	33% advance	3% narrower

Average volatility on four moves: 47% narrower on declines; 41% narrower on advances, than M. W. S. index. Four months' rally in this issue greatly surpassed the recovery in the industrial stock averages.

COMMENT: Recent price—27. Recreational, as well as utilitarian, aspects of this company's operations accord it a unique place in the machinery industry.

Long-Term Record

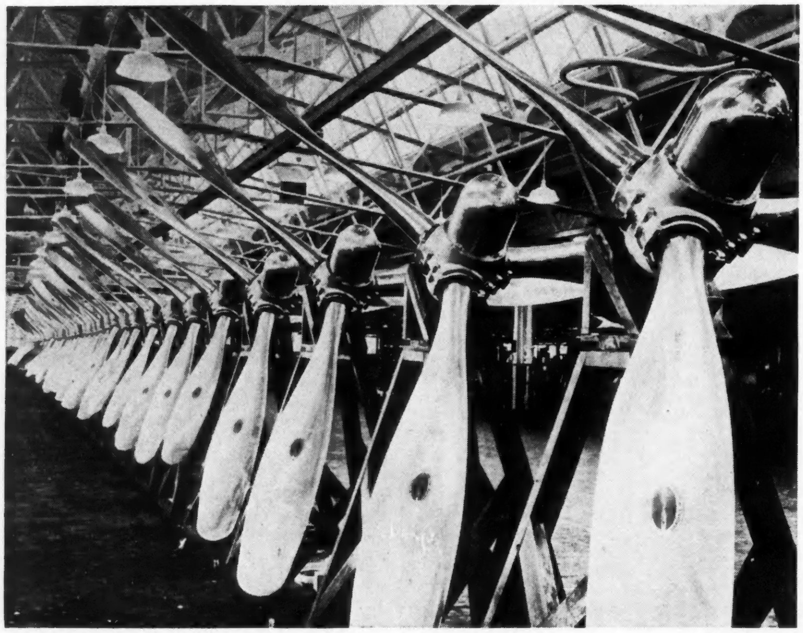
‡ Year	Net-Sales (millions)	Net Income (millions)	Net Per Share	Dividends (b)	Price Range
1936....................	NA	$ .680(a)	$2.29(a)	....	....
1937....................	$6.843	.940	3.17	$2.50	28 -12¾
1938....................	6.650	.714	2.44	1.85	22½-10
1939....................	8.267	1.037	3.52	2.15	26½-16½
1940....................	9.987	1.315	4.44	2.25	32¾-19
1941....................	13.028	1.519	5.11	2.25	26¼-16
1942....................	16.000	1.122	3.78	*2.25	*27½-16⅞

‡—Year ended Sept. 30. (a)—Combined results of predecessor companies. (b)—Paid in calendar year. NA—Not available. *—To date.

Thumbnail Stock Appraisal

Investment Audit of UNITED AIRCRAFT

BY STANLEY DEVLIN



Nash Kelvinator

Of all the divisions of industry whose operations have been accelerated by the imperative needs of the war effort, few have recorded a greater ratio of expansion over the past year or two than aviation has done. Particularly notable has been the advance in production of military planes and equipment since our entry into the war slightly over a year ago. Not only has the number of military planes turned out by American manufacturers increased more than 100% during the past year, but in terms of tonnage built, output is nearly three times as great, while the production of aircraft engines has risen approximately 240%, measured in terms of horsepower. Moreover, during the year following the Japanese attack on Pearl Harbor, a total of $4,250 million worth of airplanes was completed, this comparing with production of $1,650 million in the last year of peace.

In this tremendous growth of the aviation industry, United Aircraft Corporation is playing a conspicuous role. From a standpoint of potential business, it has become a billion dollar organization, inasmuch as the backlog of unfilled orders on the books as of Sept. 30, 1942, aggregated $1,232,319,500, a new high record, this comparing with $914,191,000 three months earlier, and with $499,049,000 on Sept. 30, 1941. During September, new business booked totaled $448,890,000, compared with $87,163,000 in the similar month of 1941.

Total shipments of equipment by the company in the third quarter of 1942 were substantially larger than for any quarter in the corporation's history. Nevertheless, the dollar volume was slightly lower than during the second quarter, the decrease being due principally to the fact that a higher percentage of the corporation's shipments has been to the American Government at prices lower than to others. "The corporation continued its policy of limiting profit," says a company statement, "by reducing prices to the Government as costs have decreased with increased volume of shipments."

Although sales and other revenues for the nine months ended Sept. 30, 1942, were 83% higher than during the same period of 1941, net income for the 1942 interim declined moderately to $10,416,000 from $10,772,000 in the comparable 1941 months. Earnings results on the common shares are distorted by the fact that, in January, 1942, 265,669 shares

of $5 cumulative, $100 par, preferred stock were issued. These were offered to common stockholders at $100 per share on the basis of one share of preferred for each 10 common shares, and on the same basis to holders of the common stock of the predecessor United Aircraft & Transport Co. The unsubscribed preferred stock was underwritten by an investment banking organization. After allowing for dividends on the new preferred, net income equalled $3.55 per share of common, as against $4.05 per share for the first nine months of 1941. Outstanding common stock on Sept. 30, last, totaled 2,656,691 shares of $5 par value. The preferred shares are convertible up to Jan. 1, 1952, into 2½ shares of common for each share of preferred, and are callable at $107.50 through Jan. 1, 1944, thereafter at $105 through Jan. 1, 1952, and thereafter at $102.50.

1942 War Contract Adjustments Completed

The foregoing profit results are after provision for Federal income and excess profits taxes at an estimated over-all rate of 80% of taxable income, the maximum rate set by the Revenue Act of 1942. The post-war credit was not taken into account in the computation of earnings data.

In connection with Government contracts, it is reported that not only has United Aircraft Corp. completed all price adjustments, but that the company has reached an agreement with Federal officials whereby it can definitely close its books for 1941 and 1942, so far as such war contract price adjustments are concerned. No details are available with respect to these adjustments, but it is believed that they are at levels approximating the profit margins which the company voluntarily established on war equipment orders more than eighteen months ago.

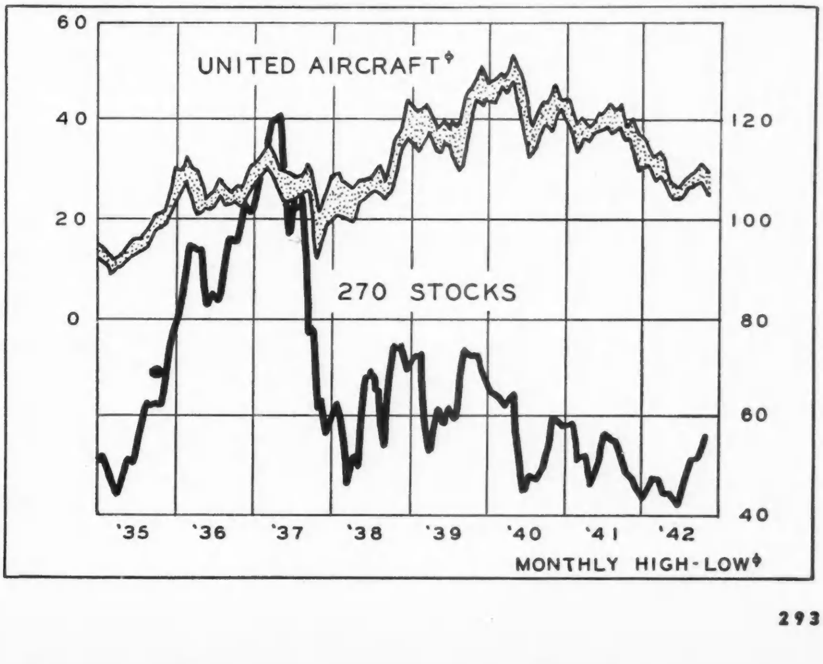
United Aircraft Corp. ranks among the larger concerns in the aviation industry. The divisions of the company include Vought-Sikorsky, builder of military airplanes; Pratt & Whitney, makers of the famous Hornet and Wasp radial air-cooled aircraft engines, as well as of a substantial amount of machines and machine tools for industrial purposes; Hamilton Standard Propellers, owning valuable patent rights and manufacturing propellers and "air screws" of all types; United Airport; and Export Division. Among investments reported at the end of 1941 were 70% ownership of Canadian Pratt & Whitney Aircraft Co., Ltd., carried at $154,400, and 9,500 shares of Pan American Airways Corp., with a year-end market value of $133,000. The parent organization was incorporated under Delaware charter in 1934.

The Pratt & Whitney engine-building division provides the largest portion of sales, estimated at about 75% of the aggregate; while the propeller division ranks second from a revenue standpoint, much of this income being derived from royalties in reflection of licensing agreements in the foreign trade.

War Plant Expansion

Expansion of plant facilities, as a sequel to the unprecedented wartime demand for aviation equipment, is essentially completed. Construction of these facilities involved extensive financing, which included not only the sale of the new preferred stock last January (referred to above), but also large bank loans, the latter amounting to $28,527,000 as of Jan. 30, 1942. The bank loans are repayable in instalments from reimbursement receivable from the United States Government under Emergency Plant Facilities contracts, the right of the corporation to receive such reimbursement having been assigned to the bank.

Finances as of June 30, last, appeared adequate for operating requirements, and the balance sheet reflects the company's conservative accounting policy. Cash and United States Government obligations exceeded $65,000,000; net receivables were nearly $62,800,000, while inventories were carried at over $49,130,000. Current liabilities of $110,194,000 included income tax provision of $65,849,500. Net current assets of nearly $67,000,000 were more than three times those a year earlier. Contingency reserves included an item of $10,000,000 for expenses incident to the transformation from defense production to a peace time economy. Of this latter sum, $5,000,000 were provided by a charge to operating costs for the year 1941, and, because of serious doubt that any further (*Please turn to page* 314)



FOR PROFIT AND INCOME

Socony-Vacuum Oil

Socony-Vacuum Oil is selling at around the 1942 high, but at under 10 it is selling below its bottom in each one of the six years ended with 1939 and yields 5% on the basis of a 50-cent annual dividend. Socony is not only an oil stock representing one of the major companies; it also is a "peace" stock. Its domestic operations are hard hit by emergency gasoline rationing, and an important source of income now cut off is its 50% interest in Standard-Vacuum Oil, the leading American factor in the Far East petroleum trade. As a low priced "quality" stock it has a definite appeal at this price level. The stock sold as high as 23¼ in 1937 and sold above 15 in every one of the years 1933-1939 inclusive. Book value is about $21 a share. Net profits for 1942 probably were about 80 cents to 90 cents a share. This compares with better than $1.00 a share for each one of the preceding six years.

Iron Fireman Manufacturing

Iron Fireman is the largest factor in the automatic coal stoker industry, accounting for probably about 20% of domestic output. It has no bonds and no preferred stock issued ahead of the 359,910 shares of capital stock which recently has been selling on the New York Curb at around 14. In view of the liberal dividend ($1.20 per annum), the company's excellent earnings record, its strong financial position, and its ability to earn probably $1.40 a share in 1942, the stock has a good deal to commend it as a yield issue. Earnings have not been less than $1.69 a share (until 1942) in any year since 1933. Not less than $1.20 a share has been paid in dividends in any year since 1935. The fuel oil shortage is likely to make coal stokers more popular in the post-war period. Most people find them more economical than oil and just as convenient.

Davison Chemical

Back in the early 1920's the shares of the corporation which was the predecessor of the present Davison Chemical Corporation had a most spectacular advance on the possibilities in a new wonder chemical product called "silica gel." The enthusiasm was overdone and premature, and because of the way the issue was managed in the stock market, as well as for "other reasons" the name Davison Chemical earned a poor reputation with the investment and speculative public. The company now has been reorganized under an entirely different type of management, and "silica gel" appears to be going to town as a money maker—in the manufacture of high-test gasoline and in the making of certain types of munitions. In the year ended June 30th, 1942, net profits were $2.10 a share, and net for the current year, with a high EPT exemption, probably will be larger. The chemical end of the business constantly is increasing in impor-

Infra-red lamps cut paint drying time for transformer parts from 70 hours to 50 minutes, speed up manufacture of equipment vital to expansion of power facilities for national defense. This battery of 129 lamps focuses heat rays produced by their combined energy of 32,250 watts on the radiators of giant transformers at Westinghouse Electric & Manufacturing Company.

tance and unprofitable fertilizer accounts have been eliminated until at present all of the fertilizer business is said to be on a profitable basis. The dividend paid in 1943 in all probability will be larger than the 60 cents a share distributed in both 1941 and 1942. The stock sells around 12.

W. B. Jarvis Company

W. B. Jarvis ordinarily makes hardware for refrigerators and automobile bodies, doing a good business with Chrysler and some of the other large manufacturers. The company, due to its good family management, operated at a profit even in 1932. At present it is fully converted to war work and is beginning to attain volume production. The type of work it is doing is sort of a military secret, but it may be said that it involves die castings and plating, just as its normal line. Sales volume is very much larger than formerly, and profits in 1943, it is thought, will justify the payment of dividends of at least $1.20 a share. This would be a very good return on the current price of less than 10. Moreover, Jarvis has a good record in peace years; it has not earned less than 99 cents a share in any years since 1934, and in three years earned more than $2.00 a share. It has paid dividends in every year since 1933. The big argument in favor of the stock is the company's management.

Fansteel Metallurgical

Fansteel (about 8½ in an inactive Curb market) has a definite appeal as a growth stock because (1) of the company's effective pioneering in rare metals of the tungsten and tantalum family, (2) its leading position in tantalum carbide cutting products, (3) its research work in powdered metals which may develop into the plastics of the metal industry, (4) the company's highly ambitious research organization which has been importantly expanded, and (5) a small capitalization, only 206,434 shares of common stock preceded by a small amount of bonds and preferred. Net for 1942 will be surprisingly high, probably better than $2.50 a share against $1.58 a share in 1941. There is a demand for all the stock which comes out for sale, and the buying is reported to be by those who know what they are doing. This is hardly a trading stock, but one to buy and keep over a period in hope of truly gratifying appreciation.

Some Outstanding Performers in 1942

	December, 1941 Low	Subsequent High	Percent Advance	Recent Price
Intl. Minerals & Chemical	1	10⅜	937.5%	10⅜
Intl. Telephone	1¼	7⅛	470.0	6½
Patino Mines	9¼	29⅞	233.0	24
Twentieth Century-Fox	6⅛	16	160.0	14¾
Atchison, Topeka & Santa Fe	21	53	152.3	46½
U. S. Leather "A"	6	14⅞	147.0	12¾
Roan Antelope	2¾	6¾	145.0	6⅛
American & Foreign Power, $7 Pfd	17⅞	43¾	144.7	43½
Goodyear Tire & Rubber	10	23⅞	138.7	23⅞
Erie R. R.	4¼	10⅛	138.2	8
Indian Refining	6¼	14½	132.0	11½
Holland Furnace	13⅝	29¾	118.3	28
Goodrich	13	26¼	101.9	25⅞
Warner Brothers Pictures	4¼	8⅛	91.0	7⅞
Pan American Airways	12⅞	24½	90.3	24⅜
U. S. Rubber	13½	25¾	90.0	25½
Commercial Credit	16⅛	29¼	81.4	27¾
Commercial Investment Trust	19⅛	33⅞	77.1	33⅜

So We Hear—

Careful buyers of aircraft shares as growth stocks are especially partial to UNITED AIRCRAFT and DOUGLAS AIRCRAFT with LOCKHEED a runner-up for favor. . . . DOUGLAS still has only 600,000 shares outstanding, which gives the issue more earning power per share than the other aircrafts. . . . Buyers of WARNER BROTHERS PICTURES common are hoping that the coming plan to pay off the preferred dividend accumulation will not be announced until they have had an opportunity to pick up more stock. . . . A student of post-war opportunities is keen about the oil well supply issues such as NATIONAL SUPPLY, BYRON JACKSON, AMERICAN REPUBLICS and BRIDGEPORT MACHINE; he thinks that there will be an era of active oil well drilling after the war. . . . Some people who have been saying that GENERAL FOODS is not a growth stock are changing their opinion, pointing to the remarkable expansion in frozen foods which the shortage of canned goods is stimulating; most of this growth, they think, will stick. . . . Some keen people have been buying NATIONAL CITY BANK stock as a peace issue, basing part of their bullishness on the company's experience in foreign banking — a field which should be more active than ever if America is to take the lead in world rehabilitation. The stock sells around 28, pays $1.00, has a book value of about $36, and should earn around $2.00 in 1942. . . . GENERAL FIREPROOFING, around 14, may be a stock worth considering as a peace issue; the company was making rapid progress in metal furniture before the war, doubling its sales between 1935 and 1940. Book value is around $19 a share. Dividends are being paid at the rate of $1.00 per annum. . . . U. S. LEATHER "A" may be the senior stock of U. S. Leather within a year or so, due to the rapid retirement of the preferred; if this is the case, the issue may have appreciation possibilities at around 12½; there is a good chance that $2.00 a share may be paid in dividends in 1943. . . .

(Please turn to page 308)

Investment Audit of BOHN ALUMINUM

BY J. C. CLIFFORD

Industrial corporations of national eminence which report large increases in interim earnings, after the substantial Federal taxes currently being levied, are the exception, rather than the rule, today. Conspicuous among such favored companies is Bohn Aluminum & Brass Corp., whose statement of consolidated earnings for the nine months ended Sept. 30, 1942, revealed net profit of $1,621,000, equal to $4.26 per share on the outstanding 352,418 shares of capital stock, this profit comparing with $1,149,000, or $3.26 per share, for the first nine months of 1941. This achievement is all the more praiseworthy, when it is recognized that Federal taxes for the 1942 nine-months' interim were equal to 80% of net income before taxes. Moreover, inclusion of a post-war adjustment reserve charge of $700,000 against these earnings brought the gross deduction to 86%, before final net profit was determined. No comparable figures for the corresponding 1941 interim were available.

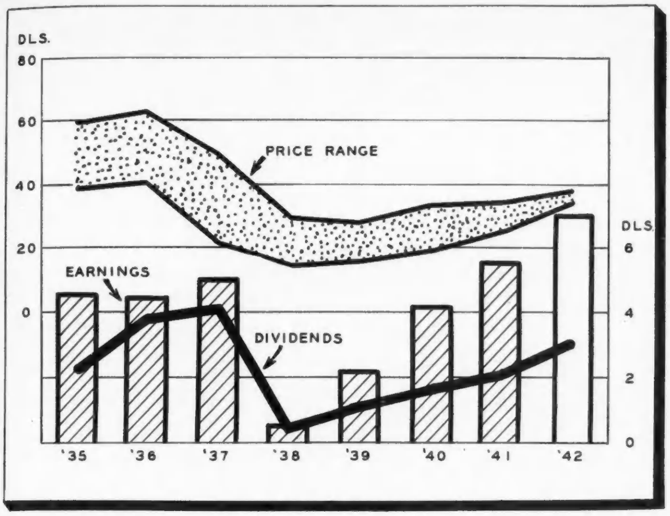
Pursuing further the study of 1942 earnings figures, it is learned that net income of $2.32 for the third quarter of this year was the highest for any three-months' period during the past five years, comparing with $1.03 in the preceding quarter, and with $0.94 in the three months ended Sept. 30, 1941. Periodic earnings which most closely approached the excellent exhibit of the September, 1942, quarter were those for the final three months of 1941, during which net profit totaled $2.22 per share on the capital stock.

Bohn was one of the major companies to engage in defense activities long before our entry into the second world war. As early as 1940, and also during 1941, this concern obtained large orders from the Government for national defense purposes, these consisting chiefly of airplane engine parts and ammunition components. Financing of the requisite plant expansion by the Government was provided for under Defense Plant Contracts. This expansion program was completed late in 1941 at an estimated cost of $4,000,000. Immediately thereafter, additional construction, involving expenditure of about $1,000,000 was undertaken.

Company Finances Own Expansion

With regard to financing of plant expansion, the company's annual report for 1941 stated that "at the beginning of the year (1941) the corporation had several contracts for the expansion of plant facilities requiring reimbursement by the United States Government. After careful consideration it was decided that the corporation itself would finance these additions." During 1941, bank loans in the amount of $1,200,000 were negotiated to finance expanding business, but these were repaid early in 1942. While the method of repayment is not known, it is probable that this was accomplished principally through liquidation of a portion of receivables, which stood at $5,272,000 at the end of 1941, or through reduction in inventories, which amounted to $6,196,000 at that time, or a combination of both. Cash holdings at the close of 1941 were only $195,400.

Bohn Aluminum was incorporated under Michigan charter in 1924, to acquire the business, property and plants of two companies organized six years earlier. In 1928, Bohn purchased all of the capital



stock of the Michigan Smelting & Refining Co. In 1931, the company exchanged its die casting division for the permanent mold department of Doehler Die Casting Co.

This organization operates largely as a foundry enterprise, with finishing operations performed to a considerable degree by the company's customers or by others. Under peace time conditions, Bohn markets about 40% of output to the automotive industry, this consisting of aluminum pistons, cylinder heads, bearings, bushings, connecting rods and housings. In order to gain larger diversification, and thereby reduce dependence upon the motor car trades, the company has succeeded in widening markets for its production. This has been attained through the development of aluminum and brass parts for the plumbing and the building trades; for manufacturers of refrigerators, vacuum cleaners, washing machines and, in recent years, for the aircraft builders.

Big Increase in Capacity

Although recent information with respect to manufacturing facilities is not available, it is stated that, at the end of 1941, the company operated seven plants, comprising about 900,000 square feet of floor space in the Detroit area, and one at Adrian, Mich. Total monthly production capacity at the close of the preceding year (latest available) included 2,500,000 bearings and 10,800,000 pounds of brass and aluminum castings, forgings and machined non-ferrous alloy products. It is believed that the plant expansion, undertaken with Government assistance, had doubled manufacturing capacity by the end of 1941. No data in this connection were furnished in the company's 1941 annual report, the pointed observation being made that "because of present restrictions, comments on our operations for the year have been omitted."

As an indication of the growing importance of aviation to the company's activities, construction was begun early in 1942 on a new plant for production of extruded aluminum parts for airplanes. The plant is to be owned by the Defense Plant Corp., a Federal agency, and was to be leased and operated by Bohn. Cost of this plant is estimated in excess of $3,500,000.

Bohn Aluminum is conservatively capitalized, the only stock issue, as shown by the latest available balance sheet, that as of Dec. 31, 1941, being 352,418 shares of capital stock of $5 par value. There is no floating nor funded debt, according to available data. A sound financial position has been maintained in recent years, although a considerable increase in receivables and inventories during 1940 and 1941 was accompanied by a sharp drop in cash holdings. The rapid expansion in business in 1940 and 1941 witnessed a rise in inventories from $2,924,000 at the end of 1939 to $6,196,000 two years later, while receivables advanced from $1,484,000 to $5,272,000 during the same period. Meanwhile, earned surplus has been steadily augmented, totaling $7,681,000 at the close of 1941, as against $5,323,000 on Dec. 31, 1939. Working capital at the end of 1941 amounted to $4,224,000, slightly lower than that shown a year earlier, while the ratio of current assets to current liabilities receded to 1.56 to 1, from 2.77 to 1, during 1941.

Liberal Dividend Policy

An excellent long-time earnings record, as well as strong finances, has enabled Bohn to make liberal distributions on its capital stock—distributions which have been maintained annually without interruption beginning with 1925. In addition to the regular quarterly payments of $0.50 per share, an extra dividend of $1.00 per share was paid to stockholders on Dec. 18, bringing total distributions for 1942 to $3.00 per share, or the highest annual total since 1937, when disbursements amounted to $4.00 per share.

In a concern of this type, operating in a somewhat specialized field, the patent situation is of particular significance. The company has been involved in litigation alleging infringement by Bohn in connection with approximately 30% of the pistons manufactured by the company since 1932. A decision rendered against the company by the United States District Court in 1939, was reversed in 1941 by the United States Sixth Circuit Court of Appeals. The company's own patents, patent rights and licenses were carried at an amortized figure of $36,000 in the 1941 year-end balance sheet, representing but a small fraction of aggregate assets of $18,996,500.

At the present time, all of the Bohn plants are operating at full capacity on war work, and will, in all likelihood, continue so for the duration. Meanwhile, research activities have been intensified with the object of developing (*Please turn to page* 309)

Another Look At...

AMERICAN ROLLING MILL—HOMESTAKE MINING—JEWEL TEA—NATIONAL GYPSUM—WESTVACO CHLORINE

By The Magazine of Wall Street Staff

American Rolling Mill Co.

One of the heartening features of recently released corporate reports is the earnings recovery trend noted in numerous instances, despite the burden of higher taxes and costs. An excellent example of this trend is furnished by the interim report of American Rolling Mill Co., wherein net income for the three months ended Sept. 30, 1942, was considerably in excess of that for the preceding quarter. Profits for the third quarter of this year, after allowing for dividends on the outstanding 449,930 shares of $4.50 cumulative convertible preferred stock amounted to $0.78 per share on the 2,868,698 shares of $25 par common stock, these comparing with $0.38 per share in the preceding quarter and $0.36 per share of common in the third quarter of 1941. However, for the nine months interim, net income amounted to but $1.59 per share, as against $2.33 for the similar months of 1941. The vast demand for semi-finished steels, as well as of special alloy steels and blanks for artillery shell casings, aided by the expansion in productive capacity, is believed to be contributing in important degree to the more propitious earnings exhibit.

Under normal conditions, production of sheets for automobiles, refrigerators, electrical equipment and household supplies accounts for about 80% of output, with the remainder being provided by bars and light structural steel, as well as by tie plates and car wheels for the railroads. The company owns all basic patents for the continuous method of rolling sheets, and royalties on this process also contribute considerably to the company's net income.

Little change in the character of operations is anticipated for the duration. As taxes have been computed on the basis of the 1942 Revenue Act, it is probable that profits, sustained by high volume, will continue to maintain the improved level registered in the third quarter.

Prospects are that the company will be able to holds its position in the highly competitive sheet-steel division of the industry after the war. Moreover, the large investment in Rustless Iron & Steel is expected to become increasingly remunerative in future years, with royalties on the company's rolling-sheet process also contributing substantially to revenues.

Finances appear adequate for all requirements. In 1941, about $12,500,000 debentures were sold for expansion purposes. Outstanding debt at the end of 1941 totaled $23,300,000. Dividends on the preferred are being regularly maintained, while common payments have been irregular over the past decade, amounting to $1.00 in 1942, $1.40 in 1941 and $0.25 in 1940. The preferred, yielding over 8% at current market prices, comprises an attractive purchase for income and appreciation, with the common also holding a fair measure of speculative appeal, based on the possibility that this year's dividends on the junior issue will be duplicated in 1943.

Homestake Mining Co.

Government orders, suspending gold mining operations in the United States in an attempt to divert the gold miners to production of copper, zinc and other metals directly needed in the war effort, have been altered insofar as Homestake is concerned. The company will be permitted to remove broken ore already in the mine and to mill the gold for a period of six months from December 7. However the breaking out of new ore was forbidden after October 15, last.

Homestake, which is the largest American gold producer, has operated profitably since its organization in 1877. Company holds over 5,000 acres of mining claims in the White Wood mining district of South Dakota. A subsidiary owns about 17,000 acres of timber lands in Wyoming, together with logging equipment and a sawmill. Another subsidiary owns in fee 1,700 acres of coal lands in Wyoming, upon which are situated mining, classifying and loading equipment, and a power plant. Ore output from the gold mine has averaged about 1,400,000 tons annually since 1926. Bullion sales last year exceeded $19,500,000. Blocked-out ore reserves are believed to be equal to a 13-year supply, amounting to 19,393,300 tons at the end of 1941.

By-product silver recovery is of only nominal proportions.

Earnings in 1941 were equal to $2.83 per share on the 2,009,280 shares of $12.50 par capital stock, (the only capital issue), compared with $3.03 in the previous year. Considerably increased taxes resulted in a further earnings drop in the first half of 1942, net income receding to $1.14 per share from $1.40 in the corresponding 1941 period. With the exception of the year 1920, dividends have been paid annually, in varying sums, since 1879. Payments this year through October 26, totaled $3.75 per share, as against $4.50 annually from 1936 to 1941, inclusive. However, as a sequel to the mining suspension order, subsequently modified, the directors, at their meeting November 4, last, failed to take action on the usual monthly dividend of $0.37½.

Unless Federal restrictions upon gold mining are further modified, operations will be limited for the duration. However, mine shut-down costs can be defrayed for an indefinite period by the company's strong finances, as well as by income from marketable securities. Latest balance sheet, that as of December 31, 1941, showed cash of $7,230,000 and marketable securities of $8,216,000, compared with current liabilities of only $3,258,500, the latter including tax provision of $2,637,000.

Assuming that the buying price for gold by the Federal Government is not revised downward in future years, an ample market for all of the company's gold output will be available upon resumption of normal operations. Further success in developing new ore reserves is possible, while known holdings are believed adequate for operations for over a decade. Acknowledging the essentially speculative nature of all extractive organizations, the long-term prospects for this strong organization are sufficiently optimistic to warrant retention of holdings at present depressed levels.

Jewel Tea Co., Inc.

Although sales are running about 30% above those of comparable periods a year ago, profits have not kept pace. Latest reported interim profits, those for the 28 weeks ended July 18, 1942, show earnings, after preferred dividends, equal to $0.86 per share of common, compared with $1.35 per share for the same period a year earlier. Taxes were a factor in the less favorable exhibit, but earnings were also affected by price ceilings, inasmuch as it had been customary to set retail prices on the basis of average inventory costs. In many instances, average costs were lower than the costs the company must now pay for replacements of stocks that are sold. As of July 18, the company had 1,613 wagon routes and 154 food stores in operation, compared with 1,668 and 147, respectively, at the end of 1941. Shortages of rubber and conservation of gasoline impelled the curtailment of routes.

Jewel is the leading "direct-to-consumer" distributor of staple groceries, serving approximately 16,000 communities with total customers estimated at 1,000,000. About 120 of the food stores are located in the Chicago area and are equipped with meat markets. Annual sales of coffee approximate 29,000,000 pounds—under normal conditions.

July 31, 1942, balance sheet shows outstanding capital stock consisting of 49,800 shares of $4.25 cumulative preferred of $100 par value (callable at $110 through July 1, 1946, and lower prices thereafter) and 557,159 shares of no-par common stock. Finances were in excellent condition, with current assets of $10,782,500, including cash of $1,685,000 and marketable securities of $3,750,500, compared with current liabilities of $2,644,000. There was no funded or floating indebtedness on that date. Dividends have been on the common shares in every year since 1928. With a distribution of $0.40 on December 21, payments for 1942 total $1.80 per share, comparing with $2.40 each in 1940 and 1941.

Operations over the near future may be affected by difficulties in maintaining delivery equipment, particularly in view of the rubber shortage. Moreover, rationing of many food items may also restrict store activities. The effects of ceiling prices, of taxes and of advancing costs will probably find reflection in net results in the months immediately ahead. From a long-term standpoint, however, prospects are more optimistic. Trade position is strong, and under peace-time conditions, resumption of the excellent earnings levels of pre-war years is anticipated. The preferred is not attractive from a yield viewpoint. On the assumption that the prevailing $0.40 quarterly dividend basis on the common will be maintained, this issue may be acquired for a return of about 6%.

National Gypsum Co.

A drop of 9% in sales, without a compensating cut in costs, depreciation, etc., was responsible for the decline in earnings on the common stock to $0.36 per share for the first nine months of 1942 from $0.75 per share in the comparable 1941 months. Operations have varied in different divisions. Orders for gypsum board and rock wood are increasing, and nearly all gypsum board mills are operating at capacity, while rock wool production, in which the company ranks second only to Johns-Manville, is also at capacity levels. Moreover, the insulating board division is also fully occupied, and considerably behind on deliveries. On the other hand, the plaster mills are functioning at only one-third of last year's rate, chiefly due to the decline in residential housing.

It is understood that National Gypsum has a sufficient supply of rock on hand to assure capacity operations in all plants until next Spring, at least. Prior to our entry into the war, the company had transported considerable supplies of rock from Nova Scotia for its eastern plants, but since last December, its boat has been turned over to the Government, and National is now obtaining all of its rock supply in the United States. Eastern mills are being sup-

plied with rock mined in western New York, while raw materials are being sent to the Savannah plant from Virginia.

Funded debt comprises an important part of capitalization. Outstanding are $6,415,000 of 3% debentures, due 1955, (sold privately to four insurance companies in 1940) as well as $391,500 serial bank loans, due 1943 to 1951. Capital stock consists of 64,980 shares of no-par $4.50 cumulative preferred, (callable at $105 through November 30, 1943, and $103 thereafter, and convertible into common at $23 through November 30, 1943), and 1,321,458 shares of $1 par value common. Dividends on the preferred are being regularly maintained. Sole declaration on the common in 1942 is $0.25 scheduled for December 30.

Strengthening of the company's trade position, achieved to a great extent through acquisition of other organizations in the industry, will be of considerable advantage in the post-war period, particularly in the gypsum products division. Control of costs will be materially aided by ownership of large reserves of gypsum and limestone. Markets have been broadened for various products to include all sections east of the Rocky Mountains.

Current position at the end of 1941 was sound, with cash and U. S. Govt. obligations amounting to $2,748,000 out of total current assets of $9,582,000, while current liabilities were $3,842,000. Of the two capital stock issues, the preferred, on which dividends have been maintained for over a decade possesses considerable appeal, with its current return of 6½%. Except as a speculation on the company's long-time growth potentialities, the common is not particularly attractive.

Westvaco Chlorine Products Corp.

While few details with respect to recent operations are available, sales progress has been well maintained, net sales for the nine months ended September 30, 1942, in the total of $11,703,000 being about 6% over those for the similar 1941 period. Heavier taxes prevented corresponding earnings gains, and net income, after allowing for dividends on the 58,415 shares of $4.50 cumulative no-par preferred stock, amounted to $1.72 per share on the 353,132 shares of no-par common; this comparing with $2.06 per share of common, after dividends on the 59,885 shares of preferred outstanding a year earlier.

Westvaco is one of the foremost producers of chlorine and caustic soda, and also manufactures phosphoric acid, phosphates and kindred products. Output is used largely in the paper, rayon and other textile, soap, rubber and oil industries. The larger portion of chlorine production is sold to Union Carbide & Carbon Corp. under contract expiring in 1947. Sales under this contract are stated to account for less than 20% of total volume, while those of chlorine and caustic soda combined represent about one-half of the total.

The present company was incorporated in Delaware, in 1926, acquiring all of the outstanding stock of Westvaco Chlorine Products, Inc., which had been engaged in the production of chemicals since 1915. In 1937, Westvaco Chlorine Products, Inc., was liquidated and all of its assets distributed to the present corporation.

In 1928, the company acquired all of the outstanding stock of the Warner Chemical Company through an exchange of stock and, on December 31, 1934, acquired all of its assets. In 1937, Westvaco took possession of all of the assets of California Chemical Co., in exchange for 54,400 shares of common stock. In 1939, the company acquired all of the preferred and 57.6% of the common stock of the Magnesol Co. All of the preferred stock of this concern was retired in 1940.

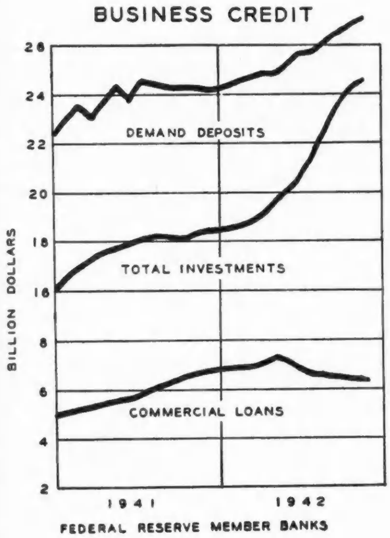
Survey of operations over the past few years reveals increased success with the commercial development of other chemicals besides caustic soda and chlorine. More important of these are carbon bisulphide for the rayon, rubber goods and oil refining trades; carbon tetrachloride for dry-cleaning and in the production of fire-extinguisher fluid; phosphoric acid and phosphates for the food industries, silk mills, piece dye works, steel and fertilizer trades; magnesium oxides for use in steel mills and in the oil and dry-cleaning industries, as well as other chemicals which also find wide utilization. Plants of the company are located at South Charleston, W. Va.; Carteret, N. J., and Newark, Calif.

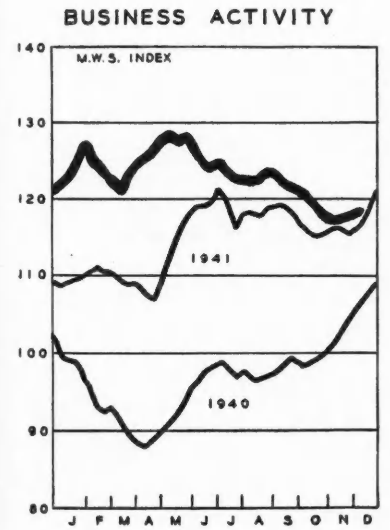
The September 30, 1942, balance sheet evidenced a sound financial status. Current assets of $4,939,000 included cash of $938,000 and marketable securities of $231,000, with inventories amounting to $2,061,000; and were 3.66 times current liabilities of $1,387,000. Outstanding capitalization consisted of the 58,415 preferred shares (callable at 110 through Nov. 1, 1945, and at lower rates thereafter, except for sinking fund), and the 353,132 common shares above-mentioned. There was no funded or floating debt, and earned surplus was shown at $2,998,000. Considerable improvement, in many respects, was shown over the financial status prevailing a year earlier. Earned surplus was $391,000 larger, while net working capital revealed an expansion of over $521,000. The net current asset ratio was also somewhat higher on September 30, 1942, standing at 3.54 to 1, compared with 2.86 to 1.

Substantial industrial demand for chemicals, for consumption in various phases of the war effort, is expected to provide ample outlets for the company's entire production. Moreover, the pressure of war-time needs is stimulating development of new processes and techniques in the chemical industry which will contribute in tremendous degree to its progress in the years following the cessation of hostilities. In this connection, the long-time growth in demand for organic solvents, such as carbon bisulphide and carbon tetrachloride, and for the other chemical products of this organization, should assure Westvaco its full meed of business in the years ahead.

The low-yield preferred has little appeal; but in view of the sanguine long-term outlook, the common shares, providing a return of about 5½% (dividends have been paid in every year since 1928) are worthy of a place in investment portfolios.

The Business Analyst





CONCLUSIONS

INDUSTRY—War-time and post-war outlook for the railroads is brighter than generally believed. Demands of pressure groups are forcing inflation upon the country.

TRADE—Shortages of civilian goods to become progressively more distressing during the war, and cessation of hostilities will bring only gradual relief.

COMMODITIES—Price advances of agricultural products have pushed commodity prices to new war-time highs.

MONEY AND CREDIT—Our war expenditures may reach $96 billion in the 1943-4 fiscal year, against $56 billion in current fiscal year.

Per capita **business activity** has remained virtually stationary during the past fortnight, expanding war activities offsetting the decline in production of goods and services for civilian use. **War expenditures** in November rose to approximately $6.4 billion, absorbing 48% of estimated national income for that month and choking down the output of goods and services for civilian use to a level 31% below last year. The Federal Reserve Board estimates that in the present fiscal year federal, state and municipal **taxes** will total $31 billion, or 24.5% of the national income; compared with 39% in the United Kingdom and in Canada. Federal taxes account for $21 billion of the $31 billion total. By sources, personal income taxes will contribute $8 billion; business income taxes, $8.4 billion; property taxes, $4.6 billion; and excise taxes, $10 billion.

* * *

Chain store sales in November were 9.4% ahead of the like period last year, compared with an 11-months' rise of 11.9%. **Variety store sales** were up 15% in November, against 17.5% for 11 months; but sales by the three leading **mail order** houses were off only 1%, against 20% for 11 months. **Department store sales** were up 12% in the four week period ended Dec. 5, compared with a rise of only 11% for the year to date.

* * *

The Commerce Department reports that the first quarterly reduction in **inventories** since 1939 took place during the third quarter

(Please turn to the following page)

Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (a)	Oct.	188	185	164
INDEX OF PRODUCTION AND TRADE (b)	Oct.	121	120	110
Production	Oct.	130	129	116
Durable Goods	Oct.	153	148	125
Non-durable Goods	Oct.	113	113	111
Primary Distribution	Oct.	138	135	116
Distribution to Consumers	Oct.	89	89	94
Miscellaneous Services	Oct.	127	128	103
WHOLESALE PRICES (h)	Nov.	100.1	99.7	92.3
COST OF LIVING (d)				
All items	Nov.	100.3	99.7	91.9
Food	Nov.	106.5	105.4	90.7
Housing	Nov.	90.8	90.8	89.2
Clothing	Nov.	88.5	88.5	78.3
Fuel and Light	Nov.	90.5	90.5	90.0
Sundries	Nov.	106.2	105.4	101.2
Purchasing Value of Dollar	Nov.	99.7	100.3	10.8
NATIONAL INCOME (cm)†	Oct.	$10,279	10,127	8,508
CASH FARM INCOME†				
Farm Marketing	Sept.	$1,707	1,412	1,286
Including Gov't Payments	Sept.	1,734	1,435	1,314
Prices Received by Farmers (ee)	Nov.	168	166	134
Prices Paid by Farmers (ee)	Nov.	155	154	143
Ratio Prices Received to Prices Paid (ee)	Nov.	108	109	96
FACTORY EMPLOYMENT (f)				
Durable Goods	Sept.	167.2	165.7	141.3
Non-durable Goods	Sept.	123.8	125.2	123.8
FACTORY PAYROLLS (f)	Sept.	220.5	214.7	162.6
RETAIL TRADE				
Retail Store Sales $†	Oct.	$5,310	4,888	4,711
Durable Goods (a)	Oct.	106.1	109.8	137.7
Non-durable Goods (a)	Oct.	174.0	168.4	141.6
Chain Store Sales (g)	Nov.	187	181	151
Retail Prices (s) as of	Oct.	113.1	113.1	106.2
FOREIGN TRADE				
Merchandise Exports†	Oct.	$768	$712	$647
Cumulative year's total† to	Oct.	6,174	....	3,901
Merchandise Imports†	Oct.	223	199	292
Cumulative Year's total† to	Oct.	2,181	....	2,607
RAILROAD EARNINGS				
Total Operating Revenues*	Oct.	$745,584	697,792	517,604
Total Operating Expenditures*	Oct.	$416,430	399,705	361,513
Taxes*	Oct.	$127,748	127,258	49,671
Net Rwy. Operating Income*	Oct.	$184,680	154,631	94,047
Operating Ratio %	Oct.	55.85	57.28	69.84
STEEL				
Ingot Production in tons*	Nov.	7,184	7,584	6,960
Year's Total Production* to	Nov.	78,789	71,603	75,686
Shipments, U. S. Steel in tons*	Nov.	1,665	1,787	1,624
GENERAL				
Paperboard, new orders (st)	Oct.	515,660	444,131	595,634
Lumber Production† (bd. ft.)	Oct.	2,763	2,751	3,037
Cigaret Production†	Oct.	23,096	21,798	19,633
Bituminous Coal Production*(tons)	Nov.	46,800	51,065	44,426
Portland Cement Shipments*(bbls.)	Oct.	20,344	20,145	17,833
Commercial Failures (c)	Oct.	673	556	809

PRESENT POSITION AND OUTLOOK

(Continued from page 301)

of the current year. While manufacturers' inventories rose $240 million, retailers' stocks were down $200 million and wholesalers' $400 million. Shortages of goods for civilian use will appear next year and become more and more distressing with each year that passes—not only during, but after, the war; since the brunt of the huge task of feeding, clothing, healing and rehabilitating war ravished countries will fall upon the U. S.

* * *

To revive a debilitated world in the years to come is going to call for a high grade of business ability and close application to the job. It is a bad time to be placing a limit of $25,000 or any other arbitrary ceiling upon the rewards of individual initiative. Social planners profess surprise at the volume of protests over their maladroit scheme in view of the relatively small number of incomes affected. They fail to realize that the true effect is to dash the ambitions of every man, woman and child in the nation. America's great material achievements have been inspired by unfettered opportunities for advancement.

* * *

After many months of stabilization, **farm staples** have risen to new highs for the year in response to Food Administrator Wickard's directive that ceilings be revoked on farm wages under $200 a month, and the move in Congress, under farm bloc pressure, to include farm wages in the parity formula. This points to yet higher food costs, still more wage increases, and a rising spiral of **inflation.** Leaders of organized labor throughout the nation are already beginning to challenge the formula for limiting wage advances as laid down by the WLB in its decision in the "little steel" case, and there are growing threats to break no-strike agreements to gain their ends.

* * *

The outstanding industrial development since our last issue has been the "pincers" attack upon **railroad earnings.** The five brotherhoods want $300 million more annually; the 15 non-operating unions seek wage increases up to $500 million, and the OPA would have the I. C. C. rescind last year's freight and passenger rate increases of $350 million—making total demands of $1.1 billion. Class I rails netted only $708 million in ten months of the current year; but the I. C. C. places the year's total at close to a billion. The latter may be on the optimistic side; but, even if realized, would amount to less than 6% on cost of property. Even in these war days renegotiators of armament contracts permit retention of at least 6% on industrial plant investment.

* * *

In the interest of truth this publication must urge that what investors have to guard against

WEEKLY INDICATORS

	Date	Latest Month	Previous Month	Year Ago
M. W. S. INDEX OF BUSINESS ACTIVITY 1923-25—100	Dec. 5	118.8	118.8	118.2
ELECTRIC POWER OUTPUT				
K. W. H.†	Dec. 12	3,937	3,883	3,475
TRANSPORTATION				
Carloadings, total	Dec. 5	759,621	743,533	833,375
Grain	Dec. 5	44,277	39,078	42,754
Coal	Dec. 5	161,500	153,563	150,479
Forest Products	Dec. 5	38,990	36,421	41,005
Manufacturing & Miscellaneous	Dec. 5	366,584	357,293	378,846
L. C. L. Mdse.	Dec. 5	89,481	81,807	156,420
STEEL PRICES				
Pig Iron $ per ton (m)	Dec. 21	23.61	23.61	23.61
Scrap $ per ton (m)	Dec. 21	19.17	19.17	19.17
Finished c per lb. (m)	Dec. 21	2.305	2.305	2.305
STEEL OPERATIONS				
% of Capacity week ended (m)	Dec. 17	99.5	99.5	97.0
PETROLEUM				
Average Daily Production bbls*	Dec. 12	3,881	3,834	4,109
Crude Runs to Stills Avge. bbls.*	Dec. 12	3,744	3,760	4,009
Total Gasoline Stocks bbls.*	Dec. 12	77,622	75,934	88,862
Fuel Oil Stocks bbls.*	Dec. 12	74,785	75,219	94,386
Crude—Mid-Cont. $ per bbl.	Dec. 21	1.17	1.17	1.17
Crude Pennsylvania $ per bbl.	Dec. 21	2.55	2.55	2.23
Gasoline—Refinery $ per gal.	Dec. 21	9.092	0.117	0.85
ENGINEERING CONSTRUCTION				
Volume* (en)	Dec. 17	$75,539	85,268	66,966

PRESENT POSITION AND OUTLOOK

in this instance is not the bite, but the animosity to even conservative business profits evidenced by the bark. No sensible person believes that all these demands upon the **railroads** will be granted in full. Obviously if wage advances are ordered the rate increases will not be rescinded. Railroad unions are opposed to the latter as a matter of self interest. A fair guess is that not more than half of the wage increases sought will be allowed. The total deduction from earnings would thus amount to only $375 million, of which around $175 million would be saved on taxes—leaving a net annual cost of $200 million. Probably next year's rise in traffic will absorb the bulk of even this relatively small burden.

* * *

Commerce Department expects **construction** volume this year to top $13.3 billion, against $11.1 billion last year. The F. W. Dodge Corp. looks for a 49% decline next year to around the 1940 level. **Whiskey** production in September was 49% lower than a year earlier; but stocks were a trifle larger. **Steel** ingot production this year will exceed that of all the Axis powers and top last year by 2.4%. About 13% of this goes for lease-lend and 62% for our own war needs. **Electric Power** industry expects to meet the record peak demand this year with a 25% excess of capacity over demand.

†— Millions. *—Thousands. (a)—Index Federal Reserve 1935-39—100. (b)—Federal Reserve Bank of N. Y. 100%—estimated long term trend. (c)—Dun & Bradstreet. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (en)—Engineering News-Record. (f)—1923-25—100. (h)—U. S. B. L. S. 1926—100. (j)—Adjusted—1929-31—100. (m)—Iron Age. (n)—1926—100. (n. i. c. b.)—Nat. Ind. Conf. Bd. 1935-39—100. (p)—Polk estimates. (pc)—Per Cent of capacity. (pl)—Preliminary. (s)—Fairchild Index, Dec., 1930—100. (st)—short tons.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

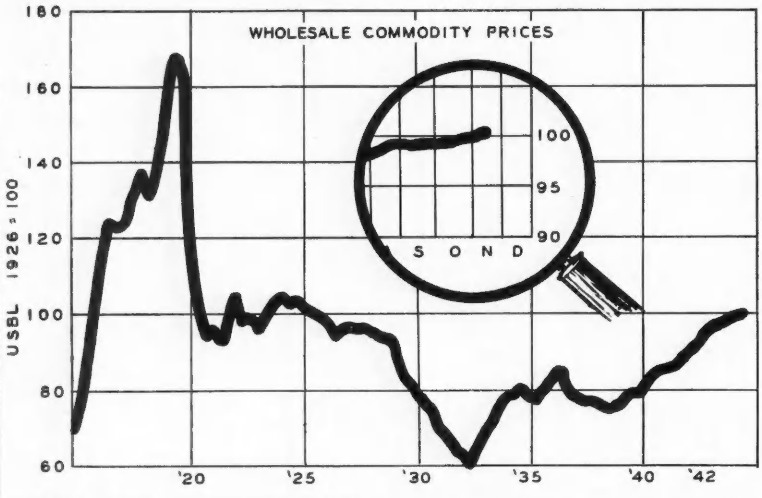
No. of Issues (1925 Close—100)	1942 Indexes High	Low	Dec. 12	Dec. 18
270 COMBINED AVERAGE	55.3	41.4	52.1	54.4
3 Agricultural Implements	102.9	72.7	94.7	102.9B
9 Aircraft (1927 Cl.—100)	172.6	123.8	129.0	132.2
4 Air Lines (1934 Cl.—100)	358.9	178.4	354.2	358.9B
5 Amusements	43.1	27.0	40.2	43.1C
13 Automobile Accessories	89.2	70.4	81.5	83.0
13 Automobiles	11.1	7.1	9.8	10.1
3 Baking (1926 Cl.—100)	8.4	5.0	8.0	8.4A
3 Business Machines	128.3	81.7	122.1	128.3C
2 Bus Lines (1926 Cl.—100)	64.6	38.2	55.2	58.0
6 Chemicals	156.3	126.3	149.5	154.9
14 Construction	23.5	16.4	22.4	23.5
5 Containers	178.0	138.4	173.0	178.0A
8 Copper & Brass	75.1	58.6	61.9	64.7
2 Dairy Products	30.1	25.5	28.8	29.2
6 Department Stores	16.3	12.4	14.9	15.2
6 Drugs & Toilet Articles	52.0	37.1	50.6	51.4
2 Finance Companies	169.0	99.5	163.9	169.0A
7 Food Brands	85.6	60.6	81.5	85.6A
2 Food Stores	43.7	32.2	38.4	39.0
4 Furniture	33.8	23.7	32.1	33.8A
2 Gold Mining	631.7	315.4	541.0	576.4
6 Investment Trusts	23.4	13.8	20.8	23.4B

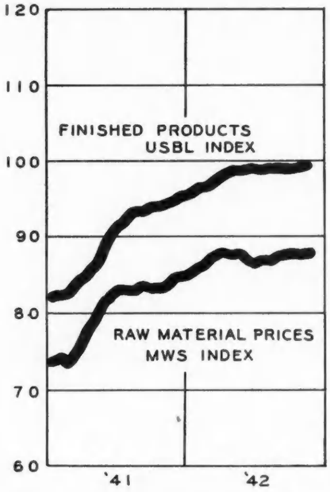
(Nov. 14, 1936, Cl.—100)	High	Low	Dec. 12	Dec. 18
100 HIGH PRICED STOCKS	53.35	43.20	50.84	52.52
100 LOW PRICED STOCKS	44.60	31.66	41.66	43.75
3 Liquor (1932 Cl.—100)	200.7	137.5	191.6	200.7D
8 Machinery	83.8	67.9	77.4	81.8
2 Mail Order	63.1	45.2	60.4	63.1A
4 Meat Packing	46.0	29.5	36.5	36.3
9 Metals, non-Ferrous	131.7	100.0	101.3	109.9
3 Paper	11.3	8.6	8.6c	9.0
21 Petroleum	85.1	59.8	82.5	85.1A
16 Public Utilities	23.7	13.7	19.6	21.3
3 Radio (1927 Cl.—100)	11.5	5.9	11.0	11.5B
7 Railroad Equipment	37.9	28.6	32.0	33.1
16 Railroads	11.0	7.6	9.2	9.8
2 Realty	2.3	1.3	1.3	1.5
2 Shipbuilding	112.0	80.0	80.5	83.9
12 Steel & Iron	65.0	53.1	55.5	58.6
2 Sugar	40.1	26.5	31.8	32.6
2 Sulphur	183.0	137.5	171.9	177.8
3 Telephone & Telegraph	68.8	30.6	68.8E	67.5
2 Textiles	35.7	24.4	34.9	35.7A
3 Tires & Rubber	16.5	7.9	15.5	16.5C
4 Tobacco	55.3	40.7	49.7	51.1
2 Variety Stores	187.2	147.7	180.6	180.6
19 Unclassified (1941 Cl.—100)	130.4	90.8	127.1	130.4A

New HIGHS since: A—1941; B—1940; C—1939; D—1938; E—1937. 3—New LOW since 1939.

Trend of Commodities

Commodity price trends were mixed, with trading light at the close of last week, following a period in which advances in agricultural products prices pushed commodity prices to new war-time highs. As of December 17 the Dow-Jones commodity index stood at 86.73, marking practically a steady gain since late October. In late trading grain markets showed little response. Price changes were irregular. Frequent rallies took place, but were in turn eliminated as profit taking continued to be attracted owing to recent sharp price gains. The corn market is displaying considerable strength due to cold weather, which is stimulating farm feeding, and hampering crop movements to market, and delaying harvest completion. Breaking away from the influence of Washington uncertainties over price control policies, cotton traders are taking their cue from rising grain and security prices, with the result that cotton prices are now moving irregularly higher. In the metal markets prices remain firm with the demand active.





U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices—August, 1929, equal 100

	Dec. 17	Dec. 11		Dec. 17	Dec. 11
28 Basic Commodities	172.0	171.4	Domestic Agricultural	193.2	190.7
Import Commodities	163.6	163.4	Foodstuffs	195.4	194.2
Domestic Commodities	177.6	176.9	Raw Industrial	156.1	156.0

Commodity Briefs

Leather. Leather production in October rose to 2,642,000 equivalent hides, an increase of 258,000 over September the Tanners Council of America estimates. Figures cover cattle hides only. Calf and kip leathers output was placed at 1,077,000 skins against 1,029,000 for September. Goat and kid leather production ran to 2,929,000 skins for October against 2,278,000 the prior month. Sheep and lamb skins cured by tanners totaled 4,462,000, compared with 4,150,000 in September.

Wool. Consumption of apparel wools in October increased sharply over September due primarily to the expansion in the use of domestic wools. According to Wool Associates trade report they represented 58 per cent of the total on a greasy shorn basis, and about 49 per cent on a scoured basis. On a scoured basis, domestic wools consumed amounted to 24.1 million pounds while foreign wools represented 25.4 million pounds. With domestic wools becoming scarcer, it is expected that the trend will soon be reversed with consumption of foreign wools taking the lead.

Cocoa. Consumers of cocoa continued to draw heavily on supplies in licensed warehouses. Last week's total of supplies on hand dropped because of this demand down to 168,647 bags, the lowest mark touched since 1931. Cumulative withdrawals from stocks since the first of 1942 has exceeded 1,185,000 bags. A year ago at this time licensed warehouse stocks stood at 1,411,496 bags.

Pepper. Supplies of this commodity are diminishing rapidly. Available stocks in metropolitan warehouses are equivalent to only a little over 20 months needs, based on disappearance which has taken place since January 1. Average monthly disappearance of black pepper this year to November 30 amounted to some 19,000 bags monthly, or a total for 11 months of 210,073 bags. Stocks on hand January 1 amounted to 594,390 bags, or about a three-year supply, but an unusual lease-lend demand cut stocks sharply, while sources of supply have been entirely shut off for several months.

Cheese. American cheese production for the week ended December 3 showed a decrease of one per cent, the Department of Agriculture Marketing Service reported. Compared with the corresponding week of 1941, output dropped 24 per cent. To offset the continuing decline in output and stimulate production the Department has announced a cheese subsidy. Under this program the Government will buy all American cheese delivered by cheese factories on a basis of 27 cents a pound at Plymouth, Wis., and sell it back to the factories at a discount of 3½ cents a pound. The subsidy must then be passed on to the farmers to stimulate the production of milk.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Lehman Corp.

Back in August after reading your favorable comment on Lehman Corp. I intended to buy the stock at 21 but waited, should I buy it now at 23½? Tell me about the company's policy of buying in and retiring their own stock. How many shares did they buy back in recent months and was this action profitable? How has the fluctuation in the net asset value behind these shares kept pace with the market average over the past five years? Did the company take advantage of the rising market this year? Give me any interesting changes in the company's portfolio in the latest quarter. Is the make-up of their investment list too speculative? How is net investment income holding up? What dividends will be paid in 1943? Should I buy now or wait?—E. M. G., Seattle Wash.

The Lehman Corporation was formed in September, 1929, by the New York banking firm of Lehman Bros., with an original paid in capital of $100,000,000, represented by one million shares. The retirement of repurchased stock reduced capitalization to 678,700 shares by June 30, 1934. Subsequently about 15,000 shares were issued for Treasury stock under option to employees. A three for one split up was effected in 1937. Even without giving effect to the substantial gains from repurchasing stock at sharp discounts, the company showed unusually small losses in the 1930-32 bear market, and better than average appreciation in the 1933-1936 bull market. Judicious switching from equities to cash and income-producing securities during periods of adversity, and the reverse policy during periods of business improvement have resulted in a relatively successful assets record. Lehman Corporation was a bit slow in converting cash into equities in 1938. In each of the subsequent three years, however, the record has been good, for example: The company compared its performance with its own stock index. (See table below.)

For the quarter ending December 30, 1942, net assets at the close of the period amounted to $53,374,712, equal to $26.92 per share (par $1.00) on the 1,982,377 shares of capital stock, excluding 104,507 shares held in the Treasury. This compares with net assets on June 30, 1942 of $49,768,843 or $25.09 a share on 1,983,977 shares and with net assets on September 30, 1941 of $59,660,423, or $29.78 a share on the 2,377,000 then outstanding. The above net assets were based on market quotations, or, in the absence of market quotations, on firm value in the opinion of the directors. Lehman Corporation stockholdings now lean towards the speculative side, but many of the common stock issues are of income calibre. The large holdings of common stocks in better situated industries suggest that net asset performance will continue to be above average. Moreover, the increase in investments in the second quarter of 1942 was well timed, in view of the subsequent small rise in stock prices. In the last few months, some interesting portfolio changes have taken place. For instance, the corporation disposed of 4,400 shares of RKO, 3,300 of Freeport Sulphur, 4,800 shares of Atchison common, 900 shares of Union Pacific, and $128,000 of Cities Service 5% of 1950 bonds. Among some of the interesting purchases were: 5,000 shares of Twentieth Century Fox, 7,000 shares of Barber Asphalt, 12,000 shares of Standard Oil of California, 200 shares of Chesapeake & Ohio, 1,000 shares of Gillette preferred, $100,000 of Associated Electric 4½s of 1953 bonds and $28,000 of United Drug 5s of 1953 bonds.

It is interesting to note that the Lehman Corporation has repurchased some of its own stock at very favorable prices. On November 24th, the SEC approved appli-

	Lehman Corp.	90—Stock Index
December 31, 1941	72.1	64.7
December 31, 1940	79.9	78.7
December 31, 1939	88.2	93.0
December 31, 1938	91.5	98.3
December 31, 1937	78.7	78.4

This table is not adjusted for dividends, which were exceptionally large in 1937.

cation to purchase 2,500 shares of Lehman Corporation capital stock from a large stockholder at $22.50 per share. This follows the policy of buying in and retiring own shares. On October 21, 1942, stockholders authorized a cut in capital from $2,086,884 down to $1,982,377 by retiring 104,507 shares which were held in the Treasury. These shares were purchased in the open market or privately from September 17, 1932 to September 17, 1942. In the latest quarter, ended September 30, 1942, the company repurchased 1,600 shares of its own stock, average cost was $20.36 per share. Dividends of at least $1.00 a year should be maintained in the coming year. The above average long term record of the company and the discount from break-up value at which the capital stock is selling, marks it, as one of the best in the investment company group. Therefore we recommend conservative purchases at this time.

Gimbel Bros. Inc.

I note that my Gimbel Bros. common is selling today at only one-half of its 1941 high price of 9⅝ a share. What's the trouble? How are sales progressing and do you think they will be affected to any important extent by the Victory Tax and also by the higher personal income tax coming due in March 1943? In view of the latest income statement showing better earnings, are there any chances for dividends? Please give me a concise write-up of the company covering merchandise shortages, competition, price ceilings and higher wage scales. Should I sell now or else double up my commitment?—G. M., Trenton, N. J.

Gimbel Bros. Inc. is one of the largest department store systems, operating Gimbel Stores in New York, Philadelphia, Pittsburgh, and Milwaukee; and a Saks group including Saks-34th Street, Saks-Fifth Avenue, New York City; Saks-Fifth Avenue, Chicago; Saks-Fifth Avenue, Beverly Hills, California, and Saks-Fifth Avenue in Detroit. Branches of the stores are operated as resort shops in Palm Beach and Miami Beach, Florida. The New York Stores account for about one half of sales and the larger part of profit. Saks-Fifth Avenue holds a high rank in fashion and high quality goods, while the Gimbel Bros. Stores and Saks-34th Street compete largely in the lower price field. Store properties are owned by real estate subsidiaries.

Gimbel Bros. Inc. and subsidiaries in the report for the six months ended July 31, 1942, show a net profit of $720,250, after depreciation, interest, with provision of $895,000 for government income and excess profits taxes, etc. Above net is equal after dividend requirements on $6 preferred stock, to 15 cents a share on 977,300 no par shares of common stock, as compared with a deficit of 19 cents per share for the same period in the preceding year.

With inventories substantially larger than last year, Gimbels, like other department stores, is prepared to handle a large year-end business. With the exception of a few hard lines like refrigerators and washing machines, department stores will be able to get through this year without any merchandise problem. In 1943, however, the story will be different. Operating efficiency has increased in recent years, but severe competition, rising wages and taxes, will no doubt restrict long-term gross and profits. Sales should fluctuate with changes in consumer purchasing power and profits will swing widely due to the inflexibility of many cost items, and because larger inventories make earnings vulnerable to declines in wholesale prices. Business conditions in New York City, where the largest proportions of profits is realized, are relatively poor because war industries are not a dominant factor. Merchandise shortages in 1943, together with the consumer's heavy burden of income taxes, also will restrict sales. Narrower margins will result from price ceilings and smaller volume; therefore a drop in operating profits is likely. With large bank loans of approximately $4,000,000 outstanding, the chances are against payment of a common dividend, therefore it is our opinion that the common stock has only moderate appeal, and would not add to present holdings.

American Light & Traction Co.

Will you please explain the liquidating plans of American Light & Traction to me? I have 75 shares purchased at 11¼ and want you to tell me frankly whether the liquidating value of these shares will be more than the present price of 12⅛. If not I want to sell at once, if so, I'll keep them. Earnings seem to be holding up well, but do you think this will continue in view of taxes? I have heard rumors of big profits in natural gas and wonder how the natural gas division of American Light & Traction has been doing and what the outlook is now. Also tell me will the $1.20 dividend be cut. Please tell me just what to do with the stock.—R. G. F., Stamford, Conn.

American Light & Traction Company and subsidiaries in the report for the twelve months ending September 30, 1942, subject to annual audit and year-end adjustments, showed a net income of $5,934,075 after depreciation, federal income and excess profits taxes, interest, amortization, subsidiary preferred dividends, minority interests, etc., equal after dividend requirements on 6% preferred stock of parent company, to $1.85 a share (par $25) on 2,767,452 shares of common stock. This compares with a revised net income of $6,029,899 or $1.88 a common share for the twelve months ended December 30, 1941.

American Light & Traction is an intermediate holding company, with 55% of its common stock owned indirectly by the United Light & Power Company. The system derives 55% of gross from natural gas, and 15% from manufactured gas. It depends heavily upon residential demands. Electric sales contribute only about 15%. Prospects for the natural gas division are favorable. Of income available to the company, 40% originates from Michigan Consolidated Gas, which supplies natural gas in Detroit and Grand Rapids. Its dividends from Detroit Edison common stock (20% owned) account for 30%, Milwaukee Gas Light, a manufactured gas company, 8%; and Madison Gas & Electric, an electric-manufactured gas company and Milwaukee Coke & Gas, about 4%. About 18% had been derived from San Antonio Public Service Company, which was sold for

$10,000,000 on October 24, 1942, all the common stock being sold, of which American Light & Traction was the sole owner.

A program for liquidation of American Light & Traction, under the Holding Company Act, has been inaugurated. The intrinsic value of investment held should exceed the present price for the common, and the preferred probably will be retired at its liquidating value of $25 and remaining assets be given to common stockholders. American Light & Traction has applied to the Securities Exchange Commission for authority to use $4,000,000 of the $10,000,000 proceeds of the San Antonio Public Service Company's sale, to make full payment of its outstanding bank loans. The loans were payable at any time without notice, and payment of premium. American Light & Traction also owns approximately 65,500 shares of common stock of International Paper Company. The financial position of this company is sound. Some reduction in the present $1.20 dividend rate may result in the coming months, but the returns should still be ample. Because of the indicated substantial liquidating value, the common stock has a measure of appeal. Therefore we would advise retention.

American Brake Shoe & Foundry Co.

In 1938 I bought 100 shares of American Brake Shoe & Foundry at 29. In each year since then the company has reported increased earnings and paid me successively higher dividends . . . up until 1942. Now declining earnings and lower dividends have me worried. What is the earnings outlook for 1943? What Dividends will be paid in your opinion? Do wartime restrictions hamper the company seriously? Please explain the longer term outlook for the company, especially in their automotive and building division. Let me have a thorough check-up of the company with advice whether to sell or retain my holdings.—G. M., Phoenix, Ariz.

Earnings of American Brake Shoe & Foundry Company, for the quarter ended September 30, 1942, did not quite match the 83 cents a share after preferred dividends reported for the third quarter of 1941, but due probably to a slightly more favorable tax reserve reported somewhat more per share than the 68 cents reported for the three months ended June 30, 1942. For the nine months ended September 30, the company reported earnings of $2.10 per share. This compares with $2.49 a share for the nine months ended September 30, 1941. There are 769,092 common shares outstanding.

During the first six months, 'Brake Shoe's' federal taxes earned were charged out at a slightly higher rate than necessary under legislation just passed, accounting for at least part of the relatively better third quarter results. For the nine months ended September, it was understood that the company charged taxes out at a rate exceeding 70%, compared with about 50% in a like period of 1941. The basis for figuring taxes was 40% normal and 90% excess profits.

Total sales in the third quarter of 1942 exceeded 15 millions of dollars, compared with $12,800,000 in the third 1941 quarter. However, American Brake Shoe apparently has reached the peak of its railroad business for the time being. Brake shoes, switches and other railroad equipment have been bought actively during the past year as traffic rose, but the decline in building of new cars and the fact that traffic is already running near a maximum has tended to keep railroad sales from expanding further. Production of shell forgings and other raw materials for the government continues at an active pace. The company is employing a certain number of women, but manpower problems so far have not been acute.

Under normal conditions, American Brake Shoe & Foundry produces railroad brake shoes and parts; freight car wheels and track fixtures; brake shoes, windings and other automobile devices. (Brakeblok Division); castings, forgings and bearings for railroad and industrial use. Railroad business is normally about half the total; combined industrial and other sales rank second; and automobile third. Sales to the automobile industry are for replacement, despite sizeable original equipment demands. American Brake Shoe & Foundry operates 58 plants throughout the country, with two Canadian subsidiaries, controls National Bearings Metals, and holds a 10% interest in Bucyrus-Erie.

The cash position has improved, and at the end of September the company had a sizeable holding of tax certificates against the mounting federal tax liability. If tax liability and tax certificates are cancelled off against each other, 'Brake Shoe' probably has a remaining net current ratio of around 8 to 1. However, wartime tax restrictions on earnings and dividends detract from the appeal of the common stock.

Dynamic Market In the Making

(*Continued from page* 267)

of the competitive disruptions brought about by "nucleus plant" concentration and by increasing restrictions on "cross-hauling" in transportation, may not improbably have permanent results of presently unpredictable nature and scope.

All we are trying to do here is suggest the probability that before we have gone very far into the new year, investors and speculators probably will have their thoughts turned somewhat more than at present to the less rosy aspects of our situation and interim corporate prospects — and that those with the patience to wait for this psychological reaction will be able to buy plenty of good stocks to better advantage than can be done at present.

Conclusion: Defer intermediate term and long term purchases in expectation of lower prices at some time within the forepart of 1943. ***Unless you are willing to sit tight through such a reaction, take some profits on any further advance into January.***

—Monday, December 21.

For Profit and Income

(*Continued from page* 295)

McKESSON & ROBBINS is being bought by some people who think that the issue should have a post-war earning power of $2.00 to $2.50 a share; the drug jobber occupies an important position in our drug store system, and McKesson has a leading position in the field; it is felt that the company's trade position is not fully appreciated by the investment public. . . . The so-called "war" shares seem to have absorbed a good deal of selling to register losses for tax purposes in recent weeks, and issues like NEW YORK SHIPBUILDING, NEWPORT NEWS SHIPBUILDING & DRY DOCK, SAVAGE ARMS, LOCKHEED, NORTH AMERICAN AVIATION and AMERICAN WOOLEN preferred could have a nice technical come-back. Probably it would be well to sell some of them on any rally, however, as the peace psychology seems likely to continue. . . . A lot of people are hanging on to their DUPONT on the theory that the current high price of the stock is justified by the possibilities in nylon and other new synthetics; it is reckoned that DUPONT should be able to pay $7 a share or more in a peace economy. . . . Incidentally, all of the rayon issues have been making new highs for the year, apparently on bullishness over silk substitutes. . . . The progress INTERNATIONAL MINERALS AND CHEMICAL (formerly International Agricultural Corporation) is making in the chemical field is attracting a great deal of attention among analysts; the company's recently published annual report, showing earings of $2.97 a share, has generated much favorable comment; the shortage of nitrates for fertilizer next season should increase sales of phosphate rock. . . . As the shipping situation improves, SWIFT'S INTERNATIONAL'S earnings should rise. . . . The down-trend in the aircraft share index is much less pronounced, and the spread between the index of general common stock prices and the index of aircraft share prices is wider than at any time since the war started; a turn may be near at hand.

A Strategic Investment Program for 1943

(*Continued from page* 276)

ther liberalized) capital appreciation is a better type of income to have than ordinary income, (c) the war inevitably will make all of us more adventurous and more willing to take risks, and (d) as men of wealth feel better about political and social trends they will be more willing to venture. Those who begin to seek capital growth early in this new trend will fare better than the late comers.

We are presenting three lists of stocks to supplement the discussion, or perhaps it would be more accurate to say that we are presenting this discussion to supplement the three lists of stocks. The first list is made up of what may be regarded as dependable dividend-payers. It is composed of the conservative type of common stock. The second list contains somewhat less conservative issues offering a higher yield, in most cases. This group is the type of issue people buy for both income and capital appreciation. Other things being equal, the risk element in the second list is larger than in the first but possible rewards are higher. The third list is presented primarily for capital appreciation rather than income but involves a higher degree of risk and greater possibilities of appreciation, if selections are wisely made, than the other two.

In constructing any investment program in common stocks for 1943 or for any other year, the investor should include in his portfolio enough diversification to offset possible errors in judgement. For most people, assuming other investments in mortgages, bonds, life insurance and real estate, it might be well to have about one third of the common stock commitment in issues representative of the quality presented in each one of these three lists. Of course these lists do not include all of the attractive issues. They are, however, representative.

Once again we would stress that a prudent investor should demand that his portfolio, like a good suit of clothes, shall be "custom made" to fit his individual requirements. We think there is much to be said for the position taken by a well-known investment counsel who often says that he "would buy the same security for one account that he would sell for another."

Actually, few investors start out fresh in making a portfolio; they usually have a nucleus of securities already owned. The proper policy in such cases is to eliminate the overemphasis in this or that industry, or in this or that type of security, and then strengthen the weak spots. The beginning of a new year is a good time to take inventory.

Economic Effects of Our African Victory

(*Continued from page* 283)

adjoining mandated territory of Togo—and whose federal capital is Dakar—is also primarily a surplus food producer. However, the shortage of transportation and the British semi-blockade prevented any extensive exploitation for the benefit of the Mother Country and the Axis Powers. Sea trade south of Dakar was practically stopped and that between Dakar and Casablanca was greatly reduced.

As a result peanut oil (French West Africa is normally the third largest producer of peanuts in the world) has been moving out slowly. The peanut cake, a valuable fodder, has been used in the Confederation as a substitute for fuel. Shipments of palm oil too have been reduced, although like peanut oil they constitute precious and badly needed raw material in manufacturing of margarine on the Continent. A small trickle of other West African products, cocoa beans, coffee, cot-

ton and sisal, was undoubtedly maintained northward across the Sahara desert to the Algerian railheads.

To tap the tropical riches of the West African Empire, the Vichy French, abetted by the Germans, began with much pomp the construction of the Trans-Sahara Railway—"the route of coffee and cotton." The line, always a dream of French Empire builders, was to connect Colomb Bechar in Algeria with the great bend of the Niger River somewhere in the neighborhood of Timbuktu (French Sudan). However, the construction did not get very far—chiefly because of the lack of construction material and fuel oil. A few months ago a section was opened in Southern Algeria, tapping local coal deposits. Side by side with the building of the "Trans-Sahara Railway, a huge irrigation project in the inland delta of the Niger was likewise under consideration. Several million acres were to be put into cotton and rice, in an effort to transform West Africa into a "second Egypt."

The economic relations of West Africa with the Mother Country were generally much like those of North Africa. In the last pre-war year (1938) four-fifths of all exports were taken by France. French West Africa is, however, much more self-sufficient, chiefly because of the much lower standard of living of its people. Our own trade with French West Africa amounted in 1938 to only about $7 million, with cocoa, mahogany and geranium oil being our main imports, while on the exports side motor vehicles and construction machinery were the leading items.

French West Africa will also require considerable tiding over, especially in regard to rice, various medical supplies and cotton textiles which were by far the largest import item. On the other hand, the utilization of large stocks of peanuts and palm oil badly needed by the United Nations to make up for the loss of vegetable fats in Southeastern Asia — will undoubtedly depend upon availability of shipping tonnage. Other products—cocoa, coffee, tropical woods, etc.—will probably have to be left for the time being in the colony, as was done with the non-essential products of the neighboring British West African colonies.

There is, however, one thing in North and West Africa of which the United Nations are sure to make use, the manpower. The Arabs and the Berbers (Moors) of North Africa are some of the best soldiers in the world. So also have the Senegalese furnished many brave soldiers. During the last war over 250,000 soldiers from Africa fought in Metropolitan France and over 200,000 workers were imported to work in factories and on defense works. If the "southern European front" should materialize, then the large native labor force and European population could be well utilized in army shops and assembly plants. Similarly the nucleus of the new French army which the United Nations are planning to equip, will probably consist mostly of North and West Africans.

Both North and West Africa are "French" countries and the United Nations can but hold them in trust for the New France of the future. The assimilation of North Africa—and of Algeria in particular—into the body politic of France has gone a long way. So is North and West Africa geared economically to France. There has been relatively little separatist movement in French Africa as the French have shown respect for native institutions and rights to the land. As a matter of fact, it was this respect that has been partly responsible for slower economic progress of French Colonies as compared, for example, with those of Great Britain.

All this, of course, does not preclude the three North African Dominions demanding a greater share in their government after the war and some consideration of improving the low standard of living of the natives. In West Africa, where French rule was described as "benevolent despotism, motivated largely by economic self-interest," the native's lot will have to be improved through agricultural aid and education. This is necessary, since the native culture was destroyed by the contact with western civilization.

The development of French North and West Africa, like that of Africa as a whole, is a long-term proposition. It cannot be accomplished while the war is going on, although the war, and particularly air transportation, have greatly speeded up the process.

Investment Audit of Bohn Aluminum

(*Continued from page* 297)

new and better methods of producing various aluminum, magnesium, brass and bronze products, as well as aircraft-type bearings. Considerable success in this respect has been reported, and further achievements in engineering, metallurgical and research development will contribute in large measure toward rendering more formidable the company's post-war industrial position.

Bohn is the only large-scale organization in the world specializing in the advanced engineering of aluminum, magnesium and brass applications. The terrific stress placed upon machinery and structures of every type resulting from the exigencies of our war effort will compel industrial reconstruction and rehabilitation on a tremendous scale after the war is over. In this rebuilding, the products of Bohn, whose industrial value will be steadily improved by research activities, are expected to find constantly broadening utilization. Among these may be mentioned "Magalloy," which has but two-thirds the weight of aluminum and one-fifth the weight of steel. It is described as a new series of magnesium alloys "of superior physical properties available as castings, forgings and extrusions." Others are "Bohnalite," a series of light aluminum alloys; and "Bohnolloy," a series of brass and bronze alloys. In metallurgical

terminology, "extrusion" may be defined as a method employed in the manufacture of various articles by pressure on the softer metals and alloys while cold.

In the post-war years, the company should retain its important position in the automotive field, and in view of the vast potential market for motor cars and trucks, this division of the company's activities should prove as lucrative as in the years preceding our entry into the world war. Before the war, Ford, General Motors and Chrysler (the three principal automotive organizations) provided the largest portion of automotive revenues, and it is probable that these sources will continue as profitable in the years ahead.

The management, nevertheless, is fully cognizant of the potentialities in the non-automotive divisions of industry, and every effort will be exerted to broaden the scope of the company's activities in various fields where its products can be effectively employed, especially in the utilization of its alloys.

Although no recent balance sheet has been made public, it is believed that the company's finances are adequate for all prospective requirements. This opinion is given credence by a statement recently made privately by a company official that Bohn Aluminum held in its treasury United States tax notes of sufficient amount completely to discharge its Federal tax obligations for 1942.

In each of the four years, 1938 to 1941, inclusive, earnings for the final quarter have been the highest of the four annual periods. There is reason to expect that 1942 will prove no exception to the rule, and unless charge-offs at the year-end should be greater than now anticipated, net income for 1942 may approximate $7 per share of common. Such earnings would easily maintain the dividend basis prevailing in 1942, and amply provide for even larger possible disbursements next year than were made in 1942.

The strength of the stock in recent market sessions reflects the more encouraging outlook for Bohn. Although quoted near the highest prices of 1942, the stock is selling for less than 6 times indicated earnings for this year. With a generally higher level of earning power in prospect, concomitant upon the company's sanguine peace time profit possibilities, the capital stock of Bohn Aluminum is worthy of acquisition by discerning investors, for attractive income and for the optimistic long-term market appreciation potentialities.

1943 Preview of Business and Industry

(Continued from page 270)

saving, the fact will remain that consumer demand will greatly exceed supply. Yet supply and demand must be approximately balanced if a major inflation is to be avoided. Since it is very unlikely that the job will be accomplished through tax and savings controls—it has been done only partially that way in England and Germany—only one alternative is left: in this former land of abundance, most, if not all, of the necessities of life and many of the luxuries will have to be rationed. As succinctly put by a prominent economic research organization, the Institute of Applied Econometrics:

"It is a hard, cumbersome and grim solution. In the offing for us lies the vast problem of making definitions, rules and procedures so explicit that every citizen will understand what is intended, and of setting up adequate compliance incentives and enforcement machinery. Patriotism will facilitate the effort to a high degree, but, even so, buyers are poorly trained to be statisticians, lawyers and accountants, which they properly should be to interpret the rules and regulations which will be forthcoming. The mere mass of rules advanced will probably be more than people can keep tab on, even with the best of intentions. If the war lasts long enough, one should plan on discretionary powers being given to enforcement officials, because economic breakdown would result from the delays and confusions growing out of arguments over and review of the rules."

We are not going to like this regimentation. The small beginning of it to date has greatly irritated many of our most unthoughtful men in Congress—as witness the political furore over the recent extension of gasoline rationing to the previously unrationed west and south. Our present machinery for rationing and ceiling price control is new, green, inadequately-financed, and given to irritating mistakes, delays and confusions—all of which provides added fuel for political conflict at Washington.

Sniping at O.P.A.—or cutting its appropriations, as some in Congress threaten to do—will make news for the newspapers but will not contribute to a solution of the problem. All it would do—and all that delay in the extension of rationing will do—is to permit cost-of-living inflation to gain another several laps in the race while we wait for effective action.

Already the food situation in many cities is scarcely short of scandalous, with the food vendors put in the impossible position of having virtually to do their own rationing in doling out meats, butter, cream, canned foods, etc., to steady or favored customers—and with consumer hoarding of canned foods and dry foods common and widespread.

Now in the basic situation confronting us, rationing is itself inflationary and therefore self-expanding. It works like this: people can not spend as much as they normally do for gasoline and tires and auto repairs, so there is more money available to spend for other things, including food and clothing. At the pesent time the supply outlook for clothing appears fairly good, but soon a long list of foods will be rationed and that will divert purchasing power to clothing, among other things. Thus rationing is bound to grow, once started, and no limit to it can be foreseen—official and unofficial assurances to the contrary notwithstanding.

Yet when one turns from the trees and takes a broad look at the forest, the productive achievement of American business in this emergency to date has been so remarkable that it is really to be wondered at that any fool could prattle of the inevitability of "socialism" after the war! While we are producing less for civilians than last year, our total 1942 production of consumer goods and services *has exceeded that of 1929 and in addition we have produced probably between $40,000,000,000 and $50,000,000,000 worth of armaments.* Of course, we can't keep it up so happily. From here on the rise in arms output must be at real and increasing expense of civilian consumption. But the achievement nevertheless is, and will continue to be, a painful revelation to our enemies—who made the mistake of rating us as decadent and indolent—and it ought to be a pleasant re-discovery to the minority among us who have been skeptical of the social values of individual initiative and private enterprise.

Not the least of this achievement is that it has now brought us to the point where we can "choose our weapons." We no longer have to disperse our energies trying to produce the maximum possible quantities of all types of armaments. We can let up—and are letting up—not only on arms plant construction but on certain types of guns and ammunition, trucks and tanks, while concentrating ever more effort on the two most essential keys to offensive warfare across the oceans: ships and airplanes.

The 1943 output of each of these two industries—shipbuilding and aircraft—will be something for the world to marvel at, literally dwarfing *any* previous output of *any* kind of product in *any* civilian manufacturing industry. Ships and planes will not win the war—but they will make the winning of it possible and sure, sooner than we dared hope or dream at the start of 1942.

Having seen "the impossible" accomplished in 1942, how can any intelligent person doubt the promise and the achievement of 1943? All obstacles will be temporary and none will be insuperable. I venture to predict that the 1943 Christmas will be far happier and merrier than this one; that these next twelve months will see the foundation for confidence in a vastly fruitful future for American private enterprise greatly strengthened; and that the historians of the future will record our 1943 victories of war and production and democratic national discipline, while the political strife, the group contentions and various other passing irritants and distractions will have long since been forgotten.

I have tried here to sketch in broad perspective what I believe to be the most important of the politico-economic forces that investors and business men will have to reckon with in 1943. As Part II of this feature, there will be presented in our January 9 issue a more extensive and detailed appraisal of the 1943 prospects of all the major industries individually, weighing the pros and cons not in the abstract but from a practical *investment* point of view.

Ahead— New Industrial Horizons

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trailers flying across the continent, dropping of trailers at specified points en route. Huge trans-oceanic clippers will make remote places all over the globe as close to us as California is now. Here again plywood will play a major part, competing with aluminum, and larger planes will probably mean an increased use of high alloy steels.

The family airplane perhaps in time will become nearly as common as the family car. The development of flying by the average man has been held up by the dangers involved, by the relatively high cost of planes, the cost of learning to fly and the lack of air-fields. All of these handicaps have now been overcome. Small planes are now nearly fool-proof and cost no more than a good car and there will be thousands of flyers returning from war who will undoubtedly take to the air again when they return to civilian life. Even more important has been the development of the helicopter by United Aircraft and others. This type of plane while slower than the familiar type, with its great revolving over-head blades, can ascend and descend almost vertically, take off and alight like a bird with no runway required and hover motionless in the air. All this adds enormously to the safety of flying. Helicopters with folding wings will no doubt be built that can run along the roads and be put away in the home garage.

Housing of the future will be revolutionized by the new and cheap materials and more efficient methods of fabrication. Nickel, stainless steel, glass, light metals and plastics will all compete for a share in the business. Great firms, General Electric and Westinghouse for example, may design utility equipment in one unit containing furnace, air-conditioning and refrigeration equipment which can be hauled to a location and then quickly surrounded with pre-fabricated walls made of flat plywood boxes. The Aluminum Co. expects its material to compete with stainless steel chemically treated roofing materials for the covering of the house. Structural aluminum will go into bridges. New and better paints will wear longer and look better. Aluminum and plastics will compete for the window screens which will be long wearing and require no painting. Forward looking copper producers, such as Anaconda, will be compelled to create new uses and new improvements in their product in order to hold their own in this new scramble for markets.

Most stupendous in the possibilities which it holds for the post-war world is the practically new science of electronics. Electrons are particles of electricity, freed from the bondage of wires, and put to work in vacuum tubes such as are used in radio and television.

Today the science of electronics is used in war on ships, on shore and on planes to locate the enemy. Submarines are located and caught by electronics. Electronic screens make a television "picture" of enemy planes 100 miles away. Electronics have protected the British from raiding German planes. Electronics may even be used to direct gun fire at unseen objects at night.

In industry after the war electronics will bring radios far superior to those we know. Television will come cheaply to every home. Electronic counters will be at work in manufacturing plants, guiding and directing machinery and production. Other electronic devices will analyze chemicals, and show hidden flaws in steel and other metals.

The magical electron microscope developed by Radio Corp. of America is already revealing the world of the infinitely small viruses and is almost approaching the point of revealing exact knowledge of the structures of molecules.

Much of this has been brought to fruition in the last year or so. Who can forecast what another year or two of research may bring?

What to Expect of our New Congress

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to apply the limit to all income, instead of just to salaries, will be refused. Instead, the chances are fairly strong that Congress will repeal the salary-limit "law" which it didn't pass in the first place—despite the flat warning of the Automobile Workers Union (CIO) that it would cancel its no-strike pledge in that event. The attitude is: "Let 'em start war plant strikes if they dare!"

(2) Congress will write its own ticket on taxes. The two most influential voices will be those of Chairman Doughton of House Ways and Means Committee and Chairman George of Senate Finance Committee. Both are classed as "conservative" Southern Democrats. Heretofore every New Deal tax bill has had its inception in Treasury recommendations, with the Congressional committees building from that base and making many changes. Growing independence of the Treasury is reflected in current talk of the House Ways and Means Committee initiating its own program without waiting for Treasury proposals. However, the Treasury has been working for weeks on another Administration program and undoubtedly will submit it early in the year. Treasury will demand a "spending" tax that would bear very heavily on individuals and further "level down" the middle classes; also demand higher corporate taxes. Attitude of Congress will be that personal income taxes and corporation taxes already are so high that no important further boost is feasible. The 80 per cent overall ceiling on corporate taxes appears fixed for the duration, but combined normal and surtax rate may be lifted to 45 per cent from present 40 per cent. Treasury demand will be countered by sales tax proposals. Adoption of the Ruml plan as such is doubtful, but Congress probably will increase the Victory tax from its present 5 per cent base as partial additional move toward the pay-as-we-go principle. The odds are against a compulsory savings program.

(3) Outgoing Congress appropriated money much faster than the Government's ability to spend it and with little regard to where the cash was coming from. This has resulted in a backlog of about $100,000,000,000 appropriated but unspent and most of that amount is still to be raised by loans and taxes. New Congress will appropriate whatever money is needed for the war effort, but it will give appropriations much closer scrutiny than the lawmakers who preceded.

(4) The Labor issue is no longer the problem for Congress that it was. Comprehensive authority for dealing with labor questions that may arise is now in the hands of the President and executive agencies. Government today is the first and final arbitrator of differences between labor and management. Where disputes arise between labor and industry Government has the power and the will to resolve them. Restrictive labor legislation is improbable, with Republicans dodging this issue.

(5) Business, big and small, is now under Government control and domination, at least for the war period. Attacks on business, popular with New Dealers before Pearl Harbor, are out for the duration. Business and industry are all-out for victory and have proved it. New Congress will be sympathetic toward business, will seek to ease unnecessary burdens imposed on it by Government, as for example, irksome questionnaire paperwork.

(6) Food for the war front and the home front has become one of the big war problems. Prospect is for demand to outrun production. Shortages threaten. Farm bloc in Congress, always a powerful group, will demand more advantageous legislation for farmers, higher parities for farm prices. It will be in a strong position strategically to get a good part of what it wants, thus making inflation control more difficult.

Investment Information, Please

(*Continued from page* 288)

out" of their war bonds. Of course, they can cash in those bonds and put the money in common stocks if they choose—but will they choose? If corporate profits and dividends looked very attractive and if the market got off in a persistent, big volume, self-advertising rise, many of them would turn to equities like flies to honey. But where is the initiative coming from for such a rise? Not from these war-bond investors themselves. Not from the rich. Not from the insiders and professionals, because as important market factors they no

longer exist and it is improbable that Government policy will again permit them to return to action. Certainly not from the type of common stock investors to whom a bit of a special offering can be "sold"—with the bait of no commission—but who almost never call a broker and buy or sell stocks on their own initiative. Finally, even if all this were otherwise, it looks dubious to me that the *trend* of corporate earnings and dividends after the war will be sufficiently dynamic to encourage speculation or speculative-investment for capital appreciation on any large scale. Corporate taxes will be high for years after the war. The long term trend of return on invested capital appears down. The tax collector and the labor unions will continue to be first in the line at the corporation paying teller's window.

Well, that still leaves the "inflation" argument. After some ten years of the New Deal, we have had inflation of highest grade bond prices, inflation of Federal debt, inflation of the cost of living, inflation of national income, inflation of business activity—inflation of most everything *except those supposed inflation hedges: common stocks and real estate!* Maybe this will change; maybe not. My guess is not. So far as concerns any large scale inflation of activity—and prices—of common stocks, I think the Government—Democratic or Republican—will have "everything under control."

I hope I'm wrong!

As I See It!

(*Continued from page* 265)

times, where the blood-letting and destruction brought oblivion to great and powerful peoples. Despite the passing of centuries, Asia and Africa have never recovered from the ruin wrought by these wars. And piracy continued to exist in the Mediterranean well into the nineties, with banditry prevalent in Italy and the Balkans, down to the 20th Century.

Poor old Europe faces a similar fate unless the United States and Great Britain jointly take the proper means to prevent it. And we must do it—for our own future as a free people is at stake.

I doubt whether we can count on Stalin because already his agents are fomenting civil strife in Jugoslavia, France, and even in South America, where only last week the Leftists seized the tin mine area in a plot to overthrow the Bolivian Republic. Of all the countries, Russia alone was prepared to meet the onslaught of Hitlerism. Her armies were ready and the cells of her secret agents honeycombed every land in the world.

Our victories in Africa have served Stalin well, and as events are shaping up we have every reason to distrust him; for the Communists have been behind all the trouble stirred up regarding Darlan. The labor and other disturbances against our Government's policy can be laid to Stalin's door, as an expression of his displeasures and an attempt on his part to win the war his way.

Coming at a time when we should be employing every ounce of strength to push the Germans out of Africa, it takes on serious aspects because of the psychological uncertainty it produces. It has the effect of playing right into Hitler's hands. It may readily upset Franco's equilibrium in Spain. It may greatly affect the trend of this war and the peace to follow.

It is evident that our Government recognizes the great obstacle to peace which has arisen, and is striving mightily for a middle ground so necessary if liberal democracy is to survive after the war. The destructive forces that have been stirring beneath the surface menace our future as a free people, so that, above all else, political differences and private grudges should be suspended for the duration.

The times call for the greatest unity and oneness of spirit—the kind that can scale mountains and perform miracles, which mundane thinking and facts and figures never can accomplish.

As we leave the old year behind, let us resolve to undertake our great task as a united people, relying on God, our Father, for the wisdom and the strength to see it through. For if we do this, by the end of 1943 we will have set our feet firmly on the road to better days.

Investment Audit of United Aircraft

(*Continued from page* 293)

substantial amounts could be charged to operating costs, an additional sum of $5,000,000 was transferred from earned surplus. Whether the management will find it judicious to make further charges against surplus in anticipation of re-conversion to normal operating conditions remains for future determination. However, earned surplus, in the total of $19,357,000 as of June 30, 1942, is sufficiently large to withstand further inroads for such purposes.

Virtually all of the operations of United Aircraft, as well as those of the other manufacturers in this industry, are being devoted to the production of military equipment. Consequently, earnings prospects for the duration are influenced primarily by the nature of Government contracts. Several months ago, it was ascertained that actual production costs on war aviation company contracts, in numerous instances, subsequently proved to be considerably lower than estimated at the time such contracts were negotiated. Therefore, a law was enacted in April, 1942, which authorized the Army and the Navy to renegotiate contracts that had not been completed by April 28, 1942. Such legislation has occasioned such concern

among aviation manufacturers, especially in view of the stipulation that contracts could be opened and re-opened at any time until three years after the war. In the case of United Aircraft, however, these stipulations do not appear to have been a disturbing influence, inasmuch as the company has made voluntary reductions of prices to the Government as the costs have declined coevally with the higher volume of shipments. In all probability, this practice will be continued for the duration. Moreover, net profits after taxes certainly have not been excessive, amounting to less than 3% of all revenues of this company for the nine months ended Sept. 30, 1942. There seems little occasion for apprehension, therefore, that possible reopening of contract negotiations in the post-war years will affect the company's financial status to any material extent.

The unprecedented magnitude of operations among the airplane manufacturers has made tremendous drafts upon the supplies of labor and materials. Difficulties in this respect have been largely overcome—in the case of labor through training of thousands of new workers, as well as utilization of a considerable number of female employes, while allocation of sufficient quantities of essential materials is preventing any protracted interruption of accelerated rates of production.

The termination of hostilities will find United Aircraft confronted with the problem of profitable utilization of its vastly expanded manufacturing facilities. The anticipated abrupt decline in military contracts will not immediately be offset by a countervailing increase in commercial orders: consequently, readjustment to a peace time basis of operations is expected to result in a severe, if only temporary, contraction in operations. Competition will be keen among the concerns within the industry. Furthermore, some of the automobile and auto parts manufacturers, now supplying engines and other equipment will endeavor to retain a portion of such business in the post-war era.

On the other hand, Government military policy will perhaps be reflected in the maintenance of a large air force for ourselves and our Allies for several years after the last guns are fired, involving construction of a substantial number of new planes to replace worn-out and obsolete equipment. Commercial development and manufacture will be stimulated by establishment of new air transport lines, accompanied by reduced fares to encourage increased utilization by the public. Air shipment of freight, and over longer distances, will be accelerated, involving construction of larger planes and larger engines. As a sequel to the training of thousands of new aviators, a great increase in private flying of smaller machines is anticipated.

In the cyclical development of aviation during the readjustment to normal conditions, there can be little doubt that many of the weaker units in the industry will disappear from the scene, through discontinuance of operations or through absorption by the larger organizations. Only the strong will survive, and among the stronger is United Aircraft. Its position in the production of planes and engines is dominating, and the company should be able successfully to weather the vicissitudes of the early post-war period. Plant equipment is adequate without being excessive, and as title for the greater portion of war-time plant expansion remains with the Government, the company will not be handicapped by the necessity of heavy charge-offs for plant depreciation. In this connection, it is pertinent to mention that retirement reserve provisions are being made by the corporation for the amortization of the cost of all emergency plant facilities, other than those acquired under contracts with the United States Government, during the completion of sales contracts now in effect, the charge to operations for amortization being substantially in proportion to the income derived from surcharges designed to cover the cost of such expanded facilities.

For conservative income purposes, the $5 cumulative preferred, on which dividends are being regularly paid, provides a yield of approximately 5½%. Earnings on the large common issue will probably approximate $4.50 per share for 1942, even after allowing for the over-all

80% tax limit. With a $2 payment on Dec. 15, dividends for 1942 on the junior issue total $3.00, compared with $4.00 in 1941 and $3.50 in 1940. The common shares, selling at the lowest prices since 1938, appear to have discounted much of the complexities attendant upon post-war readjustment. As a speculation for income, as well as upon the long range prospects of United Aircraft under peace-time conditions, this issue, at current depressed levels, is among the most attractive in the aviation group, although it can not be certain that lowest prices have been seen.

Are the Steels Over-Sold?

(*Continued from page* 285)

struction of merchant vessels will recede after the fighting ends, but the American policy of maintaining a Navy second to none will be of substantial aid to operations, while in the heavy industry division operations will be influenced by the vagaries of demand for heavy capital goods. This concern enjoys an established position in the steel trade.

The record of A. M. Byers Co., in the years immediately preceding the outbreak of this war was far from impressive. Its principal product, wrought iron, has steadily lost ground to the cheaper steel products, and it is questionable whether the company's entry into the alloy steel branch of the industry will continue sufficiently profitable after the war. Colorado Fuel & Iron is largely dependent upon orders for rails and track accessories for volume. Replacement of such equipment may keep plants well-occupied for a period after the war ends, but there is little in the company's long-term outlook upon which to base an optimistic forecast.

Crucible Steel Co. is the outstanding manufacturer of high-grade specialty steels, whose chief customers normally include the automobile, seamless pipe, machine and tool, farm implement, railroad, and oil industries, among others. Because of its dominant position in this field, the company should successfully withstand increased competition in the post-war period, but much depends on the company's ability to enhance the past narrow margins on open hearth steel production. Past earnings have fluctuated widely, while the dividend record is very unimpressive.

Inland Steel Co., possessing one of the best dividend and earnings records for the past decade in its industry, produces a full line of steel products, except pipe and wire. Markets are well-diversified; financial position is strong; and the achievements of the company in recent years suggest that Inland will continue to obtain a profitable portion of all of the available business in the steel industry. The leverage of overhead has induced rather wide earnings fluctuations for Jones & Laughlin Steel Corp. in past years, and will probably continue to do so in future years. Financial and trade positions are strong, and the acquisition of Otis Steel Co., should improve Jones & Laughlin's geographical competitive position.

National Steel Corp., the only major unit in the industry to maintain profitable operations during the depression period, is favored by the dominant position occupied in the light steel division, as well as by advantageous plant locations. Markets are well-diversified, also, and the company's record indicates that future operations will be equally profitable.

Republic Steel Corp., ranks third in size among the nation's steel organizations, and is a leading producer of stainless and high-tensile alloy steels, and electrically-welded pipe, among numerous other items. This concern's competitive position has been considerably improved by the greater proportion of production of the higher-priced steels, as well as by important additions to manufacturing facilities. Somewhat better average earnings are probable as a result, than have been shown in past dozen years.

Not only is United States Steel Corp., the largest producer of steel, accounting for about 35% of the nation's total, but it is also an important factor in other fields, controlling the largest domestic cement maker, while through subsidiaries, it operates about 1,075 miles of railroad lines and nearly 120 steamships engaged normally in coastal and overseas trade. Moreover, United States Steel owns about two-thirds of total estimated ore reserves in this country, believed sufficient to cover needs for at least 35 years. As "other income" is of minor importance, operations in future will be governed by ability to maintain its leading position in the industry.

Although the scope of operations has been broadened in recent years, sales of pipe, made chiefly to the oil, gas and construction industries, provide more than one-third of the total for Youngstown Sheet & Tube Co., while sheet steel accounts for about 30%. Increased competition in the pipe division is foreseen, but overall prospects, aided by plant expansion and improvement, should enable the company to maintain its position, although earning fluctuations may be extensive in future years, as they have been since 1930.

Securities of the steel organizations appear to have discounted, in the main, many of the unpropitious factors facing the industry in the months ahead. Moreover, with the Federal public works programs always in the background to mitigate the effects of sharp contraction in industrial operations, no protracted decline is anticipated in heavy industrial production in the years immediately ensuing after the termination of hostilities.

But steel stocks always have been speculative, and are now made *more* speculative by the uncertainty attaching to more intensive competition among industrial materials after the war, and to the profitable utilization of greatly expanded plant capacity. Purchase for long-term purposes cannot be recommended and, in the writer's opinion, steels should be sold as probable extension of current rally into January offers tactical opportunity to do so.

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